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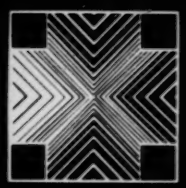

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Who Cares?
Demographic Trends Challenge Family Care for the Elderly

by Alice T. Day

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Alice T. Day is 1984-1985 Andrew W. Mellon Foundation Visiting Scholar at the Population Reference Bureau.

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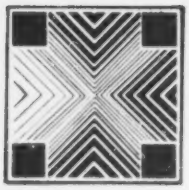


Who Cares? Demographic Trends Challenge Family Care for the Elderly

In Summary

Demographic trends are jeopardizing the future of family care for the elderly and policies that ease the caregiving burden are needed to fill the gap, says sociologist Alice T. Day. In this issue of *Population Trends and Public Policy*, Day examines the relationship between the elderly and their caregivers and the social changes that are reshaping family roles and altering the nature of aging in the United States.

Families—not government or agency programs—provide the bulk of personal care for elderly Americans, between 80 and 90 percent. In 1985 an estimated 1.4 million elderly Americans lived in nursing homes and another 5.2 million lived in the community with disabilities that left them in need of help with day to day tasks such as food preparation, dressing, and bathing. Eighty percent of care for the disabled elderly living in the community comes from family members—mainly wives and daughters.

Yet trends in life expectancy, the age make-up of the population, women's labor force participation, and delayed childbearing will put serious pressure on families' ability to provide care in coming years.

More Americans are living past their 85th birthday, making the 85+ age group the fastest growing segment of the U.S. population. This age group is most likely to develop long-term illnesses that leave them impaired in some way and in need of home care. The number of disabled elderly Americans is expected to more than double between 1985 and 2020.

At the same time the proportion of offspring to elderly over 85 is shrinking and is expected to continue to shrink in the 1990s. Families now stand a greater chance of having a handicapped elderly relative to support than ever before. The proportion of men 65 and older with one or more surviving parents is expected to increase four-fold between 1975 and 2015, a development that could substantially alter the retirement plans of future retirees.

Most of the caregivers are women—after a spouse, daughters are the first choice and are most often the ones to serve in the caregiving role. Yet more women today are working into their 50s and are not home to care for elderly handicapped relatives; by 1990 over 60 percent of women aged 45 to 54 are expected to be in the labor force as compared to only about 35 percent in the early 1950s. A 1976 study found that households where the woman worked were more likely to seek institutionalization as an alternative to home care.

Women today are also having their fewer children later in life, increasing the possibility that they may be faced with the competing demands of children at home, the needs of a frail parent and a job.

Many of the caregivers are themselves aging. The majority of offspring caring for a disabled elderly parent are over age 50. The average age of spouses caring for a disabled partner is 66, with more than 30 percent being over age 74.

Rising health care costs compound the demographic challenges to family care. It is estimated that unless attempts are made to control increasing medical costs and curtail cutbacks in Medicare and Medicaid, the share of the health care costs paid by the elderly themselves will increase twice as fast as their incomes. In 1984, the elderly began to use more of their income for health care than before Medicare and Medicaid were developed. According to Day, much of the additional expenses will probably fall upon families that already sustain many hidden costs including, home modifications, rented equipment, higher heating bills and the "opportunity" costs to women giving up employment to support elderly relatives needing care.

These trends are on a collision course. Their full impact may be felt gradually, but they cannot be ignored.

Although it is less costly to care for all but the most severely impaired elderly in the home, government programs and policies do little to support home care. Existing home care programs serve only a fraction of the disabled elderly and are difficult to gain access to because their authority spans the federal, state and community level. Tax credits for caregivers holding jobs allow only $2,400 to be deducted, far below the actual costs of adult day care.

Day questions attempts to shift the Medicaid costs of the institutionalized elderly onto families. The demographic characteristics of the nursing home population reveal that almost half have no adult children and a large portion are suffering from disabilities (e.g. senile dementia) that are difficult to care for at home. Says Day, "Forcing adult children and relatives to contribute a greater share of financial support assumes, contrary to all available evidence, that families do not help as much as they can or that family members (many of whom are elderly themselves) can afford the extra financial drain."

Elderly wives provide care for their infirm husbands.

Who Cares? Demographic Trends Challenge Family Care for the Elderly

by Alice T. Day

The elderly's need for home care is rising, just when social change threatens to undermine the major source of that care: family members available and willing to give their older relatives personal care at home. More Americans are living into their 80s and 90s where the risk of long-term illness requiring home care increases. At the same time, demographic trends are affecting the main caregivers: wives and daughters. The daughters of the very old are more likely than their counterparts in previous generations to be in the workforce, to have had their fewer children later in life, to be divorced and remarried, and they are themselves growing older. Elderly wives providing care for infirm husbands are now more likely than in previous years to face a decade of widowhood with no children available to care for them.

This predicament raises two questions: first, how will individual families prepare for and reconcile the interests and well-being of the older generation needing care with the interests and well-being of the younger generation primarily responsible for providing that care; and second, how will American society provide aging citizens with income security and health care in a period of diminished economic growth and competing demands for scarce resources? Demographic trends are significantly affecting both the capacity of individual families to support their older kin and the capacity of society to ensure a floor of security for its older citizens.

The elderly are an integral part of family networks.

The U.S. Elderly Today: Myths and Realities

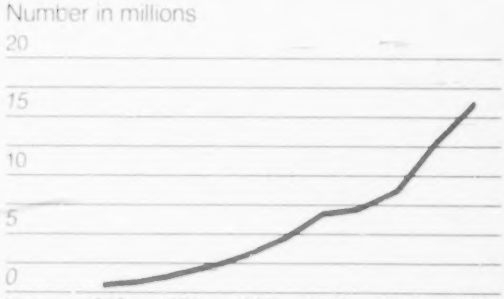
In 1985, an estimated one in every nine Americans is at least 65 years old, a substantial change from the 1-to-25 ratio with which the United States began the 20th century. By 2020, as the baby boom generation reaches 65, that ratio could jump to 1-to-6. The population age 85 and over with the highest per capita health and social service needs is growing especially rapidly, up 165 percent between 1960 and 1980. This very old population is expected to increase five-fold by the middle of the next century. (See Figure 1.)

The increasing numbers of the elderly are still such a new phenomenon that there are few historical precedents to use to anticipate the long-run consequences for families or for U.S. society as a whole. Initially, experts and the public alike assumed that the elderly—particularly those who were poor and living in large metropolitan centers—were isolated, living alone and abandoned by their families. The image of large numbers of elderly persons dumped in public institutions was raised.

Three decades of research on the family life of older people tell a somewhat different story:

First, the elderly are diverse. In terms of health, living arrangements, income security, personal and social resources (e.g., education, housing), family networks, and integration into social life, variation is as great among persons 65 and older as among younger age groups. Older Americans do not form a solid voting bloc: their interests appear to be as varied as their circumstances.

Figure 1
Actual and projected increase in U.S. population 85 and older, 1950-2050



Source: ref. 1

Male relatives are looked to for help with home maintenance.

This diversity may be seen in the health status of the elderly. Health varies significantly with age. The majority of elderly persons in their young retirement years are relatively healthy and even if they have a chronic illness are not as limited in activity as frequently assumed. Estimates based on a 1983 survey of national health suggest that the proportion of elderly in need of comprehensive personal care is relatively small. Of all non-institutionalized persons aged 65 and older, only 11 percent needed help in home management or shopping (excluding transportation), and only 9 percent needed one or more types of personal care (help with bathing, dressing, eating, or toileting).[1] However, health and mobility do decline with advancing age. By the eighth and ninth decade of life, the chances of being functionally impaired in some way and in need of health and social services increase significantly. Almost half those over 85 have one or more disabilities.[2]

Second, the majority of the elderly live at home with no more help than the ordinary services that family members of all ages need and give each other. Even among those who are very old (85 and over) or have severe disabilities, most live independently. Most live alone or with a spouse; fewer than one in five live with a relative other than a spouse. Only 5 percent are institutionalized at any one time, although 25 percent may be institutionalized at some period during their later years.

Third, the elderly are part of family networks. Most elderly parents live near at least one child; three out of four either are living with a child or within a half hour's journey of a child. Yet even in the largest metropolitan centers, once believed to be especially isolating for the aged, research finds strong family ties and patterns of support between generations.[3] Until the onset of extreme frailty, the flow of support is two-way; the elderly contribute to their families, as well as receive various kinds of assistance from them.

Fourth, the major share of social services to the elderly is provided by informal networks, particularly by close relatives. The "formal" system of government and agency programs plays a minor role in providing care for the elderly. Families provide between 80 and 90 percent of medically-related care, home nursing, personal care, household maintenance, transportation and shopping.[4] The family is the primary caregiver, even for the disabled elderly. Preliminary results of the 1982 National Long-Term Care Survey indicate that the disabled elderly population living outside of nursing homes receives about 80 percent of all care from relatives.[5] (See Table 1, page 6.)

Fifth, rarely are the elderly dumped in institutions. Institutionalization usually occurs as a last resort at the end of a period of painful decision-making. Today's families are not abandoning their kin. In fact, a large proportion of the elderly in institutions are there because

they have no close relatives or suffer from disabilities (e.g., senile dementia) that are difficult to care for at home. The existence of adult children commonly deters institutionalization. One study found that while four out of five persons 65 and older had at least one surviving adult child, almost half (46 percent) of the institutionalized elderly were childless.[6] Moreover, most of the institutionalized elderly who had relatives were in close touch with them.

Research reveals that the elderly are more independent and in better health than previously realized. A majority of those 65 and ~~older—even~~ those with major limitations in their capacity for self-help—are living at home and being cared for by a family member.

Living Arrangements and Family Care

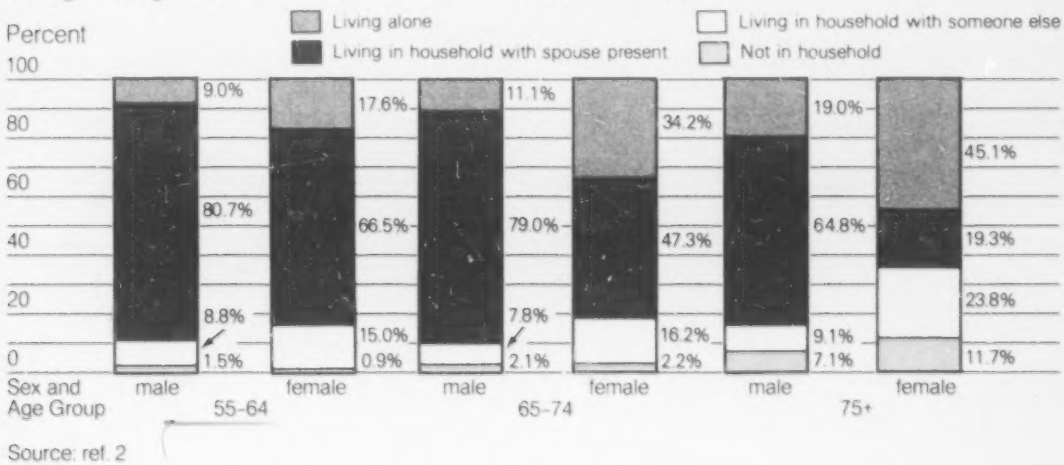
The pattern of living arrangements among older Americans has been described as the modified extended family—"modified" because older and younger generations live apart in separate households; "extended" because the elderly are in touch with both their close and distant relatives who live in other households. Not only is the modified extended family the major form of family organization found in industrial countries today, but it is the arrangement most older people say they prefer. They want to live independently as long as possible, sharing "intimacy, but at a distance."[7]

The preference for "intimacy, but at a distance" is supported by data showing that sharing a household with someone other than one's spouse is most common among individuals with presumably the fewest resources and options: women over 85, low-income families, minorities, immigrants and those living in rural areas, for example.[8]

The desire of the elderly to live independently is reflected in the dramatic increase in older people living alone and in the decline in the proportion that live with relatives.[9] In 1940 only about one in seven women aged 65 and older lived alone or in a household with only nonrelatives; by 1970 that ratio had increased to approximately one in three. (See Figure 2.)

While both the number and proportion of older live-alones, particularly widows in the advanced ages, have continued to increase in the 1980s, family members remain the source of help older people turn to first. For personal care over a long time period, the elderly seek help first from spouses, then from daughters, then from a sibling. If none of these is available, next in line is an extended family member (niece, grandchild or other) or a friend. Rarely is the person selected a professional.[10] Women make up about between 70 and 80 percent of the caregivers.[11] Most often, sons and male relatives are turned to for advice on business matters and help with transportation and home maintenance. If no female blood relatives are available older people usually turn to sons and daughters-in-law or male relatives for care involving intimate contact, such as feeding and dressing.[12]

Figure 2
Living arrangements of older U.S. men and women, 1982



Source: ref. 2

The data in Table 1 reflect these caregiving preferences. Formal programs provide care for only 16 percent of disabled elderly men and 21 percent of disabled elderly women. The children of the disabled elderly provide care for almost one-quarter of their fathers and more than one-third of their mothers. More than one in three disabled men are cared for by their wives, while only one in 10 disabled women are cared for by their husbands; this reflects the fact that women tend to marry men older than themselves and tend to live an average of seven years longer than men.

Table 1: Sources of care for the disabled elderly

	Care recipient	
	Male	Female
65 to 74		
Spouse	45	18
Offspring	21	29
Other relative	21	33
Formal	13	20
75-84		
Spouse	35	8
Offspring	23	35
Other relative	25	36
Formal	19	23
85 +		
Spouse	20	2
Offspring	34	39
Other relative	27	36
Formal	19	23
All 65 +		
Spouse	37	10
Offspring	24	34
Other relative	23	35
Formal	16	21

Source: ref. 5

Changing Context of Aging in the United States

The old are living longer and they are aging in ways that differ markedly from the experience of previous generations. The increasing numbers of frail aged are altering the nature of health concerns accompanying the aging process.

Disability and the need for assistance rise steeply with advancing age. Greater control over acute symptoms through medical technology has meant that people live longer after the onset of disease and need assistance at home to compensate for lost capacities. Thus, over the last two decades the major health needs of the elderly have changed from those associated with acute short-term illness requiring skilled nursing care in hospitals to needs associated with multiple chronic conditions requiring the use of drugs and help with ordinary daily activities.

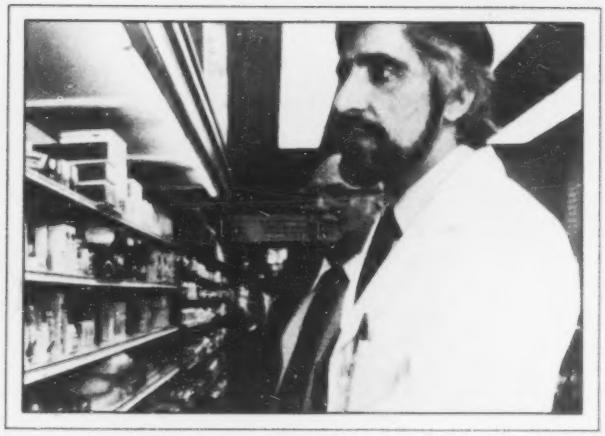
Care that involves extended unskilled attention to intimate personal needs can best be done by family members at home. Specialists in rehabilitation and geriatric medicine stress that care for the elderly should not be focused exclusively on treatment of acute symptoms in hospitals and nursing homes, but should include innovative approaches to helping impaired older people and their families organize their lives when they are faced with long-term dependency and the need for extensive personal care.

Growing numbers of elderly women. From age 75 onward, the older population is composed predominantly of women. In 1980, for example, there were 138 women aged 70 to 74 for every 100 men of the same age; among those 85 and older, the ratio was 229 women to 100 men. Care of the very old has increasingly become associated with women. Because the very old are more likely to live alone and to need financial support and help with daily activities, services to meet the special needs of dependent women must be given high priority.[13]

Due to longer life and the greater likelihood of being left without a spouse, women make up a greater share of the nursing home population than men. In the early 1980s, more than 25 percent of women aged 85 and older were living in nursing homes compared with only 14 percent of men in this age group.[14] The problems of institutionalized women are becoming a special concern among policy analysts looking at the implications of changing health needs.

Burgeoning need for long-term care. In 1985, approximately 6.6 million Americans aged 65 and older are in need of long-term care, almost one in 4 of those 28.8 million older Americans. Of this group, 1.4 million persons are living in nursing homes and another 5.2 million are living in the community with disabilities that leave them in need of help with the tasks associated with daily living.[15] The latter group is most likely to require long-term personal care from families and friends.

Since 1980, there has been a 14 percent increase in the number of older Americans in need of long-term care and the number is expected to grow at an even faster rate in the 1990s. Both the nursing home population and the disabled living in the community are expected to more than double between 1985 and 2020. (See Figure 3.)

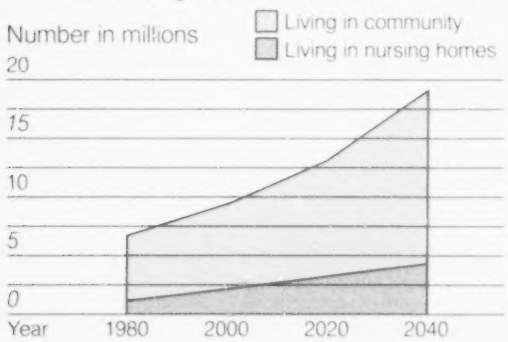


Increasing health care costs challenge the elderly and their families.

As the numbers of the very old increase, it will be necessary to provide varied systems of care to meet the needs of the diverse elderly population. Institutional care, one of the many long-term care alternatives, can be expected to rise in response to two related factors: increasing numbers of persons age 85 and older which is the age group most likely to suffer severe mental and physical impairments that are difficult for unskilled family members to care for at home, and public policies to improve the access to and the quality of custodial care.

Over the last two decades, government programs such as Medicaid and Supplementary Security Income have extended the scope of those eligible for public support, enormously increasing the use of nursing homes and hospital facilities. In the 22 years between 1960 and 1982, the public share of expenditures grew from 28 to 55 percent, with the amount spent on nursing home care growing the fastest of all. From $480 million in 1960 expenditures for nursing home care grew to $31.4 billion in 1984, an increase of 18.4 percent per year.[16]

Figure 3
Projected U.S. population 65 and older in need of long-term care, 1980-2040



Source: ref. 3

Increasing health care costs. Between 1977 and 1984, the total cost of health care for all persons 65 and older doubled. Government-funded Medicare, Medicaid and Veterans Administration programs now account for two-thirds of the $120 billion dollars spent annually for the health care of those 65 and older.

Gerontologists Beth Soldo and Kenneth Manton report that increases in the intensity and duration of health care needs in the oldest ages is concentrating the bulk of public expenses for reimbursement of Medicare services in the last two years of life. "By postponing the age of death," they write, "we also may be postponing the period of intense service need until even later in the life cycle where fewer financial and/or family resources may be available to ameliorate the public costs of long-term care."[17] Given current trends, how well-equipped can we expect families to be to meet these challenges of aging in the future?

Challenges to Family Care

The financial burden. Now as in the past, families provide the most services for the aging. The cash value of services performed by families far exceeds the combined cost of government and professional services to both elderly living in the community and those living in institutions. A 1976 General Accounting Office study assigned values to services provided by family and friends according to the costs of the services provided

through an agency. The cost of services from both sources varied with the older person's level of impairment, but family and friends incurred the majority of service costs at all levels. (See Table 2.) As the degree of impairment increased, the difference between the value of services provided by family and friends and the cost of public services increased as well. A 1984 report to the Federal Council on Aging estimated that the support provided to a disabled elderly family member accounted for the equivalent of full-time work in between 30 and 40 percent of households providing care.

Table 2:
Average monthly costs of services for the elderly provided by friends, family and by agency.

Impairment Level	Family/ Friends	Agency	Total	Proportion Family/ Friends
Unimpaired	37	26	63	59
Slightly impaired	63	47	110	57
Mildy impaired	111	65	76	63
Moderately impaired	181	78	259	70
Generally impaired	204	100	304	67
Greatly impaired	287	120	407	71
Extremely impaired	673	172	845	80

Source: ref. 6

Human costs of caregiving. The financial costs to families providing home care to frail elderly relatives are only part of the burden on caregivers. In industrial countries around the world, family caregivers report emotional stress, conflicting demands on their time and energy, the unsettling of family routines and relationships, and disruption of living patterns— employment, recreation, social activities and participation in the wider community.

Because most of the elderly who need help are very old and most of the very old are widowed, their caregivers are primarily adult children—predominantly daughters, and, to a much lesser extent, daughters-in-law. Among those not yet widowed, spouses are also major providers of care for the very old—mainly wives, as seen in Table 1, page 6. Most wives providing care bear the burden with little outside help. Many of them are lonely, isolated and exhausted, and in need of help and support as much as the spouses they are looking after.[19]

Many caregivers are themselves aging. The average age of spouses providing care for a disabled husband or wife was 65 in the early 1980s, with 30 percent of the caregivers aged 74 and older.[20] Most adult children providing care to the very old are over 50. Although their personal circumstances vary enormously, many middle-aged women start to provide care for an aging parent when they are facing the challenges of their own aging: declines in physical energy, their husbands' retirement, and changes in life style and social commitments. A Philadelphia study found that in comparison with caregiving daughters under 50 years of age, those over 50 had older and more severely impaired mothers, spent much more time providing help, did more difficult caregiving tasks, more often shared their households with their mothers, and were themselves more often widowed and living on lower incomes.[21]

Changing Family Structure

The burden of aged support on family caregivers will increase as the numbers of very old and potentially dependent elders grow. This burden will be compounded by changes in family structure, putting particular pressure on middle-aged women who provide the bulk of personal care for their parents and aging husbands. Although developments since the 1970s are still too recent to assess, their effects on the willingness and capacity of families to provide care for older relatives deserve close watch.

The changing ratio of young to old. Increases in life expectancy, delayed marriage and the fall in the average numbers of children per family are increasing the ratio of parents to children available to look after them. (See Figure 4.) This ratio varies among age groups, reflecting the previous rise and fall in the number of births. Women born in 1905, for example, who are now about 80 years of age, married and bore their children during the Depression and had an average of 2.4 children apiece. Women born in the 1930s had more than three children on average and produced the baby boom generation. The baby boom daughters are expected to have fewer than two children each.

Significant increases in the ratio of the elderly 85 and older to their adult children have been occurring and are likely to continue over the next two decades. As noted, the high proportion of widowed and infirm among this age group places the greatest potential demand for care on adult children. Estimates of the ratio of disabled elderly to their offspring available to care for them during the next 70 years are shown in Figure 5.

Figure 4
Ratio of U.S. elderly to offspring, 1980-2050

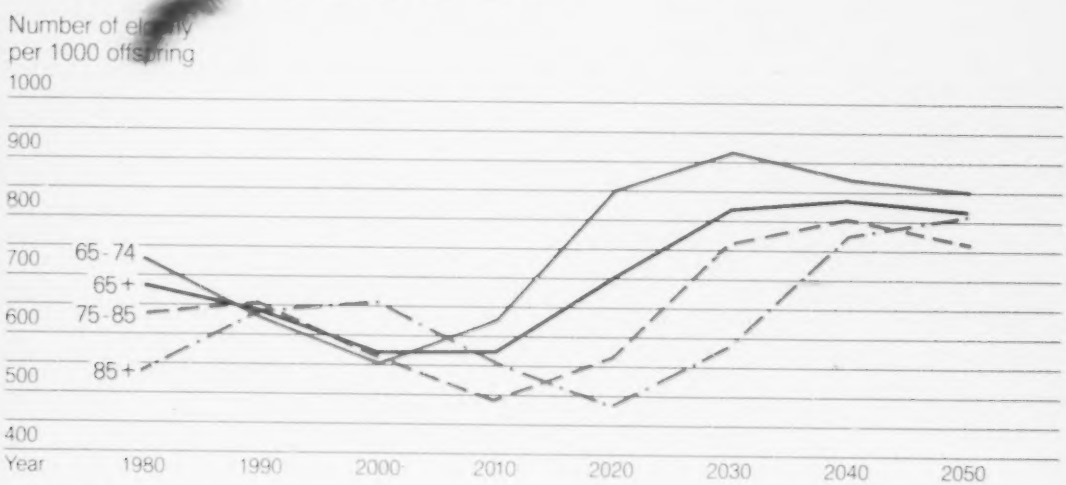


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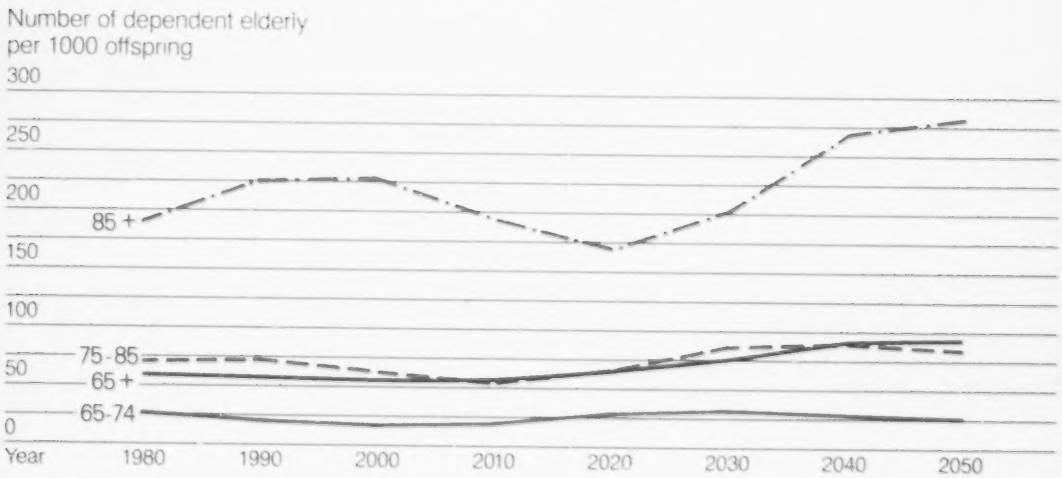
Figure 5
Ratio of dependent U.S. elderly to offspring, 1980-2050



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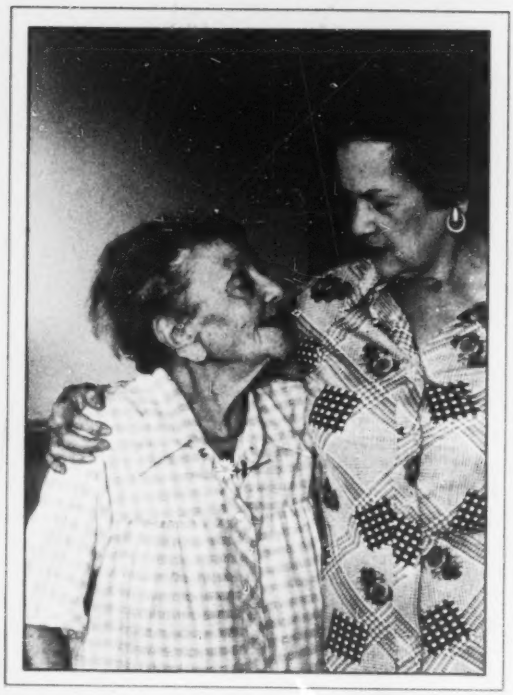


Women who care for their elderly mothers are themselves aging.

At every age, people are likely to have more older people in their families today than in the past. Three- and even four-generation families are becoming more common. One important consequence of these changes in family structure is the so-called "dependency squeeze." Research on successive generations of mothers, daughters and granddaughters shows that due to longer life expectancy and delayed childbearing a higher proportion of women today than at the turn of the century can expect to have parents and children simultaneously in the "dependent" age groups, that is, under 18 years old and over 65.[22] With responsibility for parents following closely after responsibility for children, the "empty nest" as a period of independence and carefree personal growth is for many middle-aged women simply the latest in our myths about women.

Although the lengthening of generations is particularly important for women as primary caregivers, men will by no means remain unaffected. A 1983 study of family networks and living arrangements over a 40-year period projects a four-fold increase in the proportion of men 65 and older with one or more surviving parents (from 7 percent in 1975 to 28 percent in 2015). Increases in the likelihood of a retiree having an octogenarian parent could have important ramifications for social trends that reflect the decisions of men (as well as women) to change residence, to retire from work, to time the purchase and sale of a home, and to adopt private insurance plans to cover parent care, for example.

Marriage, divorce and remarriage. Divorce has become more common and the interval between marriage and divorce has grown shorter. This trend increases the number and variety of households through which an individual may pass in his or her lifetime, and also the number and complexity of the average individual's kinship ties.

Family research has focused on the effect of such changes on parents and children in the early phases of the family life cycle. Yet a "family ripple effect" of divorce and remarriage also can have implications for kinship structure and family relations in later phases of the life cycle, affecting those who are both the parents of divorcing couples and the grandparents of these couples' children.[23]

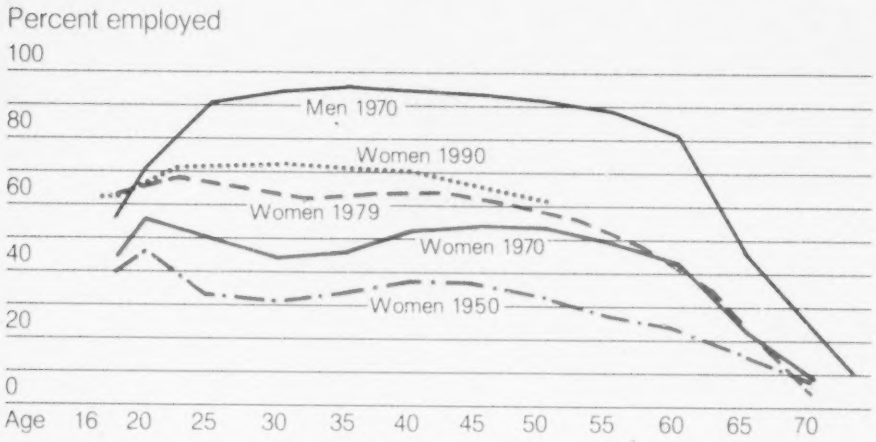
There is no consensus among researchers on what current trends will mean for future family relations and support in old age. Some researchers claim that changes in family patterns such as rising rates of divorce and remarriage in association with longer life span (particularly for women) will actually diversify and enlarge the support systems the elderly can rely on for help.[24] But others, emphasizing the importance of adult children as the major providers of home care, believe these trends could weaken the bonds between parents and children that have cemented old-age support in the past.

Proportion of women in the workforce. Surveys have shown that if asked whether they have a responsible person to turn to, four out of five older people answer "yes." It is not clear, however, whether the persons designated as responsible are always willing and able to provide care. Of all trends affecting the capacity and willingness of women to provide support in the long run, their extensive employment outside the home may be the most important.

Employment influences not only a woman's discretionary income, but also the time she has to give and her priorities and expectations about her rights and obligations as wife, mother and daughter. A 1976 survey of households contributing to the support of an older relative found that employment was highly associated with the tendency to seek institutionalization as an alternative to home care.[24] Those families where the wife was in the labor force and there was no other adult woman present were much more likely to choose institutionalization than were families in which either the wife did not work or there was at least one other adult woman present.

Projections of women's employment rates show an increase during the next several years at all ages up through age 55. (See Figure 6.) By 1990, 70 percent of women aged 35 to 44 and 61 percent of those aged 45 to 54 are expected to be in the labor force. Increasing

Figure 6
Labor force participation rates for women by age, 1940-1990



Source: ref. 6

involvement of middle-aged women in paid outside work will almost certainly have a significant effect on the pool of caregivers who traditionally have been able to keep the infirm elderly at home. Moreover, the changes noted in fertility, life expectancy and marriage may present a substantial proportion of the women in these age groups with the triple burden of care for a disabled elderly parent, children still living at home, and a job. Although researchers consistently find a commitment among women to support the older generation, it is reasonable to speculate that these trends could markedly disrupt that assistance.

Programs and Policies Affecting Family Care

Government programs that address the needs of older persons fall short of supporting families who care for the elderly. Many existing programs and new policy initiatives reflect ill-founded perspectives on the elderly and their family caregivers. Government policies still seem largely based on the assumptions that (1) the elderly form a separate social category isolated from the rest of the population, (2) families require incentives to provide care for elderly members at home or sanctions to prevent them from resorting to institutionalization, (3) family members (particularly wives and daughters) are and should be available to assume the financial costs and personal care of elderly frail relatives, and (4) conditions that apply to the elderly today will be the same for future generations of Americans. Such perspectives have led to public policies focusing on narrowly defined needs and to programs that are inconsistent with—at times even working against—efforts to sustain and encourage family caregiving.

Insufficient federal, state and community support for home care. The portion of the federal budget allocated to programs for the elderly is now very large and the federal government offers a vast array of resources and services. Initially, the focus of such programs was income support; now Medicare, Medicaid, Title XX, the Older Americans Act, the Food Stamp program, Supplemental Security Income, and Veterans Assistance programs encompass a whole gamut of life supports. However, the high cost of medical services has meant that a major share of government spending on the aged has gone into reimbursements for hospital and nursing home care. Moreover, the home care services that exist are difficult to obtain access to because administration and delivery systems span federal, state and local government. Lack of coordination among and between programs and the dispersion of authority across various levels of government have led specialists in aging to call the U.S. policy for the aged a "non-system." The delegation of responsibility to ever-narrower spheres of authority leads to fragmentation at two levels: in policymaking at the federal level and in policy implementation by public bodies at the state and local levels.[25]

Services to support and encourage care of the aging at home are particularly affected by the inconsistency between policy aims and program conditions. Medicare restrictions, for example, allow benefits for home care services only after episodes of acute illness and only for "skilled nursing." Thus little support is provided for unskilled family members who are the most likely to look after the chronically ill for long periods.

Home care through Medicaid. Beginning in 1981, states have been able to seek a waiver from the federal government to use Medicaid funds for home and community based services for low-income elderly individuals who, without such services, would require care in nursing homes. Programs carried out with Medicaid waivers constitute the major home care activities provided by states and federal government. The federal share was $69.1 million in 1984 and programs served an estimated 100,000 individuals.[26]

The waivers cover home health aides, help with chores, adult day care, respite care and other types of services including home modification (installing ramps for easy-access) and medical response buttons that give elderly the security of being able to call for help automatically.

Recently, conflicting views on the purpose of the waivers between state government officials and the Office of Management and Budget have delayed funds and threatened the use of these Medicaid funds as an alternative to institutional care. States have viewed the waivers as part of a strategy to provide more appropriate health and social services while OMB has focused on their cost-cutting potential. In late 1984, OMB urged states to save Medicaid dollars by removing people from institutions and providing services to them under the waivers rather than offering services to people who would otherwise need institutional care.[27]

Living arrangements and eligibility. An illustration of unintentional disincentives to family support is found in the effects that living arrangements and the economic resources of family members can have on an older person's eligibility and benefit level. Medicaid is available to anyone 65 and older below a minimum income level unless he or she lives as a dependent in someone else's house. Even if the household is headed by a relative, the older person stands to lose up to one-third of the entitled benefit.

Other Medicaid regulations can discourage a fitter partner from continuing to provide care for an ailing spouse. Spouses are expected to be financially responsible for each other. In determining the eligibility of the impaired spouse to receive home care benefits under Medicaid, their joint income and assets are considered. However, should the couple decide to resort to institutionalization, only the applicant's independent income and assets are considered. This policy can act as an incentive in some situations to cease the hard work of looking after an impaired spouse at home in favor of transferring him or her to a nursing home.

Dependent Care Tax Credit. Under the same federal income tax provision that allows working parents to deduct the day care of their children, family caregivers may deduct work-related expenses for the care of a disabled elderly person who is living with them. The costs of either in-home help or adult day care centers are deductible if all non-disabled adults in the household are working.

The maximum caregivers can deduct for the care of a disabled elderly relative is $2,400 and the tax credit received is between 20 and 30 percent of this amount depending on the household's income. However, the actual costs of daytime care for a disabled elderly individual far exceed the deductible amount.

This provision has received very little publicity. It appeared on the income tax return "Short Form" for the first time in 1983. Some policy analysts believe that all who are eligible are not taking advantage of this deduction and the Internal Revenue Service maintains no records on how many people use the deduction for the care of a disabled elderly adult.

Cash incentives. A number of experimental programs are studying different ways to encourage families to continue providing home care. Policy analysts have considered a variety of incentives including direct monthly payments for services, vouchers, and low-interest loans.

The use of cash incentives assumes that families would not care for their elderly relatives without additional rewards and that financial rewards are more effective than other kinds of help. When questioned in surveys, caregivers say that their primary need is relief from the daily drain of providing long-term assistance.[28] When given a choice among a list of specific services (economic support programs, medical care and homemaking services), homemakers cite services as top priorities. Among persons actually providing care for the elderly infirm, services to ease caregiving tasks (day and overnight care outside the home to give the caregiver a break, for example) and the support of others through group discussions were seen as more crucial than financial incentives. This is not to imply that the financial costs of caregiving are negligible, only that among those actually looking after the impaired elderly, emotional stress is considered more serious than economic strain.

Shifting federal costs to families. Another policy approach to induce greater family care involves financial disincentives. The Reagan Administration has encouraged states to require adult children and other relatives of Medicaid recipients to be financially responsible for their institutional care, thus saving public dollars and discouraging nursing home use.[29] As of 1984, 22 states

Some state programs provide home care for the aged

were considering such legislation and Idaho, Indiana and Virginia had passed bills but had not put regulations into effect. Widespread opposition in New York caused the proposal to be dropped there.

Whatever its consequences for the quality of intergenerational relations, this policy (and others like it) seems based on questionable assumptions: (1) that families are capable of absorbing an even greater share of the financial responsibility of caregiving than they do now; (2) that a policy of deterrence is necessary to keep families from placing their older relatives in institutions; and (3) that treating family support as a cost-containment resource will raise substantial revenue or cut down on public expenditures. As described earlier, the demographic characteristics of the nursing home population together with the character of their family networks belie this reasoning. The institutionalized elderly are very old, very ill, and unlikely to have a strong network of close relatives. Their adult children, if they have any, are often nearing retirement and are themselves facing the challenges of aging.

A policy of financial disincentives would withdraw what is already a minimum floor of security from families that are managing, even if inadequately and with great stress, to provide crisis and emergency care. It also ignores research showing that community support sustains and encourages family members to continue those services they do provide and helps to deter institutionalization.

Increasing the elderly's proportion of health care costs. Unless serious attempts are made to control increasing medical costs and curtail further cutbacks in Medicare and Medicaid, it is estimated that the share of health care costs paid by the elderly themselves will increase more than twice as fast as their incomes. In 1984, the elderly had already begun to use more of their income for health care than they had before Medicare and Medicaid were developed. Overall, the elderly now spend an average of 15 percent of their income for health care.[30] If current trends continue, by 1999 the elderly will pay 36 percent of their own care: 49 percent of physician care, 53 percent of nursing home care and 69 percent of drugs and other care. If the elderly are expected to pay a larger share of their own medical costs, much of this additional private expense will probably fall upon families already sustaining many invisible expenses associated with care for the elderly, including home modifications, rented equipment, special food, higher heating bills, and the "opportunity costs" to women of giving up employment and discretionary time.[31]

Legislative proposals. Recognition of the importance of families to aged support and concern about the growing slice of public funds allocated to programs for the elderly are prompting policymakers to seek new ways to strengthen informal systems of care without transforming the quality of care provided into a formal, bureaucratic entity. Concern for the family situations of millions of elderly suffering from Alzheimer's disease and other related psychological disorders, for example, led public officials to call for community-based treatment centers as alternatives to institutionalization.[32] The so-called "CARE Bill" (H.R. 2280) was introduced in the House in April 1985; it seeks to address the caregiving problems associated with severe psychological disorders and improve assistance for Alzheimer's victims and their families by creating model state programs that encourage education, increase support services, and expand research and training of professionals.

Another bill, S. 1181, is designed to provide home care for the elderly without some of the eligibility restrictions required by Medicaid. It would make $100 million available to states each year for three years to be used to coordinate existing programs and to provide home and community services. The bill is expected to be considered in Fall 1985. A more costly version of the bill was adopted by a Senate committee during the last congressional session but later dropped due to Administration opposition.

New approaches. A variety of programs are being tested through experimental projects involving small groups of people over limited time periods; many of these programs are funded through the Medicaid waivers discussed above. Projects initiated in Maryland, Florida, California and New York are investigating the extent to which different kinds of support given to family caregivers may postpone institutionalization. Cash credits, home attendants, respite care, day care facilities, and home help services are being studied. Some of the innovative approaches to providing emotional support to family cargivers are: family seminars providing information about the aging process, instruction in caregiv-

ing skills and emotional support to give families a greater sense of control; support or self-help groups; respite services that provide short periods of in-home relief for caregivers; and day or overnight services outside the home that give caregivers relief for a few hours or days.

Other experimental projects are attempting to establish a single entry point for the provision of services by coordinating and integrating the efforts of existing agencies. Beyond the demonstration phase, however, there is no evidence to suggest that larger scale attempts to integrate programs and close gaps will be successful. Many questions remain about the appropriate balance between help provided informally by family, friends and neighbors and formal assistance from public sources.

Policy Implications

Policymakers cannot ignore the trends that threaten families' ability to care for their frail and infirm relatives. In the future, rising numbers of very old will only increase the magnitude and complexity of providing care for the aged. Can the elderly be cared for in a manner that is both appropriate and cost-effective? Based on what is known about changing health needs of the elderly and changing demographic trends, what can be done to help families support their older members?

- *Support families in their efforts to provide care.* Families already bear the major share of social support (including costs related to health) for their elderly members. Efforts to reduce the public burden for health care by increasing the share assumed by families could be counterproductive. For all but the most impaired elderly, the financial cost of providing care at home is less than the cost of providing similar services in institutions.[33] However, forcing adult children and relatives to contribute a greater share of financial support, assumes, contrary to all available evidence, that families do not help as much as they can or that family members (many of whom are growing older and entering retirement themselves) can safely afford the extra financial drain.

Equally important, the strain on caregivers must be considered in any cost calculation. If the burden of caring for a disabled elderly relative becomes too great and the goodwill and personal reserves of the caregiver are exhausted, serious consequences for both the elderly dependent and the family emerge. The caregiver's own health may be impaired, institutionalization may be sought, older dependents may be abused or neglected, and families may break down under conflicting loyalties to their own interests and needs of an older relative. Thus, the health and quality of life of those who provide care is tied—and therefore of equal importance in policy terms—to the health and quality of life of the aging who receive support.

Pilot programs, although limited in scope, have shown that providing services such as respite care, day care for the elderly, home help, overnight and temporary care do not inhibit caregiving, but encourage those providing care to continue their efforts. Also needed is a pool of semi-skilled helpers who can come into a home and take care of shopping or cooking or housecleaning when the caregiver is overburdened, or when the elderly person becomes ill or has just returned from the hospital. This type of general assistance is sometimes available through private agencies, but for the majority of families it is prohibitively expensive. Government subsidies are necessary to make it widely available. For all but the most impaired elderly, trained helpers at home could be potentially less costly than institutional care.

- ***Recognize that the context of family caregiving is changing.*** Demographic trends and their impact on family support will need to be closely watched to assess their importance to people moving into older ages in the future. Families now provide 80 percent of all care for infirm elderly relatives. As social trends reshape family ties and alter women's roles, and as the numbers of the very old and potentially dependent elderly increase, bonds between family members will be subject to pressures that may affect the availability and willingness of relatives to undertake extensive care at home. For example, will today's generation of women entering the workforce be willing to give up jobs and independent income to stay home to nurse aging, ill relatives? Incentives such as flex-time, job sharing and adult day care centers have been suggested to enable working women to retain their jobs and still care for an elderly relative. Suggestions have also been made about ways to reward neighbors, friends and more distant relatives for looking after infirm elderly at home. Innovative approaches are necessary to identify areas where families encounter the greatest difficulties, and to develop support services to strengthen the assistance families already provide.

As the proportion of the population over 85 grows, increasing numbers of elderly will require more care than family caregivers can afford or provide at home without substantial help. For these caregivers and for those elderly with no close relatives available to provide support, custodial arrangements will be a necessary part of the continuum of support services. Thus, high among the priorities concerning care for tomorrow's elderly is finding alternatives to long-term institutional care. Many approaches will be needed to contain escalating costs and conserve public and private resources, including rationing services through screening the most severely impaired who have no alternative support, a greater emphasis on preventive health care such as diet and exercise to curtail disabling conditions, a system of required "co-payments" to make the elderly share re-

sponsibility for their medical costs, and the development of "intermediate" housing with affordable health services— possibly supported by community networks on a voluntary basis.

Western European countries with a larger proportion of elderly persons in their populations than the United States are already experimenting with many of these remedies. Countries like the United Kingdom, Netherlands, Belgium, Sweden and Denmark place greater emphasis on the public sector and pay a higher bill for social services. The United States must be prepared to do likewise if all Americans are to anticipate a secure old age.

Values and Priorities

How American society will pay for these extensive services involves questions of values and priorities. Some examples include: the relative worth of people of different ages; the legitimacy of claims for public support of different disadvantaged minorities; the rights of women in mid-life to choose employment over caregiving; the mutual obligations of parents and children at different stages of life; the responsibilities of individuals for insuring their own support in old age; the costs of family care versus institutionalized care, including the indirect costs for health and well-being of caregivers as well as the direct monetary costs of medical care; and the interest of older people who need help versus the interests of caregivers who provide it.

Two facts are central in considering these issues: first, the old are not "they," the old are "we." All of us are aging and decisions made now about aged care will affect the quality of health care and social support available to us in later life. Second, although many live alone, the aged are not isolated but are interacting members of extended families. Policies that affect the aged affect their families also.

In a much-discussed paper entitled, "Children and the Elderly: Divergent Paths for America's Dependents," University of Pennsylvania sociologist Samuel Preston argues that conditions during the last two decades have deteriorated for children and improved dramatically for the elderly. Increased social spending on the elderly, he says, reflects a national priority. He suggests that diverting funds to the old and away from the young is not a defensible public policy: "Whereas expenditure on the elderly can be thought of mainly as consumption, expenditure on the young is a combination of consumption and investment."[34]

This reasoning assumes that the elderly can be separated from the rest of the population and that their well-being is not only less valuable than that of other age groups, but has no repercussions for younger age groups. It also implies that the United States lacks the economic capacity to make sufficient provision for the young and the aged simultaneously.

The elderly must be seen as an integral part of family networks; their well-being is tied to the well-being of their adult children and grandchildren. Investment in the elderly is not only wise public policy to nurture the human resources older people represent, it is also wise policy because it indirectly nurtures the families of which older people are members. Safeguarding the human and material resources represented by children is not served by a perspective that devalues the older generation, because the younger generation will eventually grow old as well.

Policies that affect the aged affect their families as well.

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POPULATION TRENDS AND PUBLIC POLICY

Conflict in Central America:

The Demographic Dimension

by Sergio Diaz-Briquets

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Conflict in Central America: The Demographic Dimension

In Summary

Seven years after the first signs of political upheaval in Nicaragua, the countries of Central America are still at war with themselves. Those countries not threatened with military violence face other enemies—rising population rates, continued economic downturns and widespread poverty.

High population rates have long burdened the region's social and political institutions. Since 1945, Central America's population has tripled in size. During the 1960s, the region had one of the highest population growth rates in the world; only recently have population growth rates dropped to below 3 percent per year.

How should Central American leaders address this population crisis? Is the violence now besetting the region an outgrowth of population increases or are other factors involved in the dilemma? How much does population contribute to the region's ills?

Social demographer Sergio Diaz-Briquets argues that the current crisis in Central America has resulted from a complex interplay of political, economic, and social factors. Rapid population increase has aggravated tensions caused by decades of political turmoil and unequal economic growth. Recent events in the world economy have added to the region's problems.

After World War II, the Central American economy began to diversify. Between 1950 and 1978, the region's real per capita growth doubled, and the economies of six countries-Costa Rica, Honduras, Nicaragua, El Salvador, Panama and Guatemala—grew at a 5.3 annual rate. This growth raised expectations among the people, creating pressures for broader political participation. But the 1973 world oil crisis started Central America's economy reeling. In the early 1980s, markets for the region's exports dried up and trade began to deteriorate. Central America's once bright future now darkened.

Hand in hand with this decline were incidents of violence and political unrest. A tradition of unequal land distribution, aggravated by the development of large export-oriented farms that excluded peasants from the land, added to a sense of social injustice. Education levels, although improved, remained inadequate in many countries. Unemployment caused by the economic downturn increased. The poor masses in urban and rural areas faced sub-standard living conditions with few if any social services. The result was bloody uprisings that fueled revolutionary movements.

In the light of these underlying causes, population growth, according to Diaz-Briquets, must be put in proper perspective. Nonetheless, demographic trends cannot be overlooked. According to United Nations projections, by the end of the 20th century population in the region will have increased 60 percent, to 40 million. The burden caused by this growth affects unemployment, education and standards of living—all contributors to economic and political unrest.

Diaz-Briquet's conclusion is that the development of family planning programs must be made within the framework of political and economic reform.

Conflict in Central America: The Demographic Dimension

by Sergio Diaz-Briquets

The current situation in Central America is a multifaceted tragedy that has focused world attention on this often forgotten region. For those familiar with Central America, the crisis is not surprising; telltale signs of impending turmoil have been apparent for many years, provoked by a complex interplay of historical forces. These forces have shaped a highly unstable environment: weak political institutions, inequitable social systems and underdeveloped economies.

The unprecedented demographic transformation that occurred in the region following World War II is an important factor in the current crisis. In a brief 40 years, the population of Central America tripled. Rapid population growth exacerbated many of the region's problems. It aggravated existing socio-economic inequalities (in access to land and income) and increased demands for employment, housing and other social needs.

The Political and Socio-economic Context

Central America has long been a politically and economically unstable region. As in other volatile areas, political institutions are weak and democratic structures almost nonexistant. Military coups are frequent and dictatorial governments a fact of life. Governments in the region have historically served the privileged elite and powerful foreign interests. Although several countries are involved in uncertain attempts at democratization, only Costa Rica has reached that goal. The current crisis is an offshoot of this lack of legitimate political institutionalization.

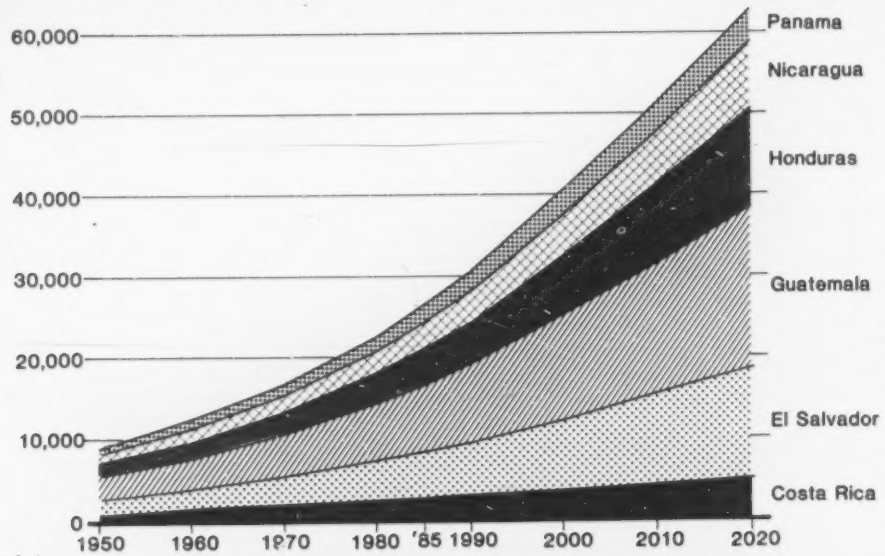
Economic factors also have played an important role. While population growth rates have received considerable attention, equally high economic growth rates in the decades preceeding the current crisis are sometimes overlooked. Between 1950 and 1978, the economies of the six Central American republics—Costa Rica, Honduras, Nicaragua, El Salvador, Panama, and Guatemala—grew at an annual rate of 5.3 percent. During this interval, the region's real per capita income doubled.

Central America's economy was transformed as a result of this economic growth. The region diversified its economic base and loosened its dependency on the production of a few key agricultural commodities. By the late 1970s, regional exports included an array of farm products and some manufactured goods. Intra-regional trade also expanded, partly through the workings of the Central American Common Market. Road networks and other transportation facilities grew severalfold, advances in electrification were made, and the number of schools and health facilities increased substantially.[1]

These positive developments, however, failed to improve living conditions for a majority of the people. Economic growth, particularly in the countries now facing the most instability, disproportionately benefited high- and middle-income groups. The gap between the

Donated food being given to Guatemalan mothers of malnourished children.

Figure 1
Estimated and projected population of Central America: 1950 to 2020



Source: ref. 1

living standards of the well-off and those of the poor widened. For some, living standards rose, but not as fast as expectations, which had been fueled by a freer flow of ideas worldwide.

The forces unleashed by these economic developments collided with social structures and political systems unable or unwilling to adapt to new circumstances. For example, a broadly based national coalition in Nicaragua overthrew the dictatorial rule of the Somoza family. Major divisions and armed conflicts arising from divergent plans for the country's future now challenge Nicaraguans. In El Salvador, forces of the extreme right and left battle each other and the government, while moderate democratic elements struggle to avoid an extremist outcome. The situation in Guatemala is highly volatile; decades of violence and injustice have laid the foundation for intense, bloody conflicts. In these countries, traditionally privileged groups, including the powerful landowners and military, continue to resist calls for social and political reform. Countries more responsive to these demands—Costa Rica and to a lesser extent Panama and Honduras—have so-far avoided the violence now engulfing other Central American nations.

The economic slump provoked by the jump in OPEC oil prices in 1973 added to the economic turmoil. The subsequent contraction of the world economy is one of the most important ingredients in the current crisis; the region's economic downturn is directly related to its extreme vulnerability in the world market. Weaknesses in economic development strategies and natural disasters, such as earthquakes, have contributed to the area's decline.

As long as economic growth rates remained satisfactory, a potentially explosive situation remained under control. Unrest began as the effects of the worldwide economic crisis were felt. Oil price increases, reduced demands for the region's exports, a deterioration of trade and inflation all played havoc with Central American economies. The enormous financial pressures forced by an expanding foreign debt and capital flights intensified the economic turmoil. And the involvement of foreign powers added a new dimension to an already complex problem.

Population Trends: Aggravating the Problem

The combined effects of these economic developments aggravated latent structural problems. Rapid population growth contributed to these problems even more. (See figure 1.)

During the 1960s, population growth rates for the Central American countries were among the world's highest. Growth rates for these countries averaged

more than 3 percent per year compared with a world rate of 2 percent. By 1985, the region's growth rate had dropped to below 3 percent, mainly because of declines in Costa Rica and Panama. Rates in the other Isthmian countries have declined only moderately if at all.

Between 1950 and 1985, Central America's population nearly tripled, growing from 9.1 to 26.4 million. This rapid increase in population is expected to continue into the foreseeable future. The United Nations projects that the region's population will reach 40 million by the end of the 20th century, a 60 percent increase in 15 years. Another 56 percent increase is anticipated between 2000 and 2020, by which time there will be 62 million Central Americans.

These high growth rates primarily result from the interplay between birth and death rates. Improved public health and medical advances imported from the industrialized countries after World War II brought spectacular mortality declines in Central America, as in other regions of the developing world. In the absence of off-setting fertility declines, population rates soared as fewer babies died in infancy and more adults lived to old age. Only recently has international migration played a role in the region's population dynamics.

Death rate declines have not been of similar magnitude in every country. Death rates fell more rapidly in socio-economically advanced Costa Rica and Panama than in the other countries of the region. Country by country differences in mortality declines have been so substantial that in 1985 death rates in all countries except Panama were double those in Costa Rica, with Honduras and Nicaragua having the highest mortality rates. (See table 1.)

Birth rates have fallen markedly in Costa Rica and Panama since the 1960s, but much less or not at all in the other countries. Despite these declines in Costa Rica and Panama, the population in these two countries has continued to grow rapidly, largely because of greater numbers of infants surviving into their childbearing years.

Costa Rica and Panama stand in contrast to other Central American countries with respect to several additional demographic indicators. In fact, for these indicators, Costa Rica and Panama's rates are nearly comparable to those observed in most developed countries. Life expectancy at birth, for instance, is more than 70 years in Costa Rica and Panama, and only in these two countries are infant mortality rates below 30 per thousand live births. By comparison, infant mortality is 11 per 1,000 in the United States and life expectancy at birth is 75. In the other Central American countries, except for El Salvador, life expectancy at birth hovers around 60 years (although these estimates are likely to exclude war-related mortality). These countries have infant mortality rates three to four times higher than Costa Rica and Panama.

Regional differences in fertility also are evident. In 1985, total fertility rates in Costa Rica and Panama stood at 3.5 children per woman. In the other four countries, the rate exceeded 5, with the average Honduran woman having about 6.5 children. As might be expected, contraceptive prevalence rates are much

Table 1: Basic demographic indicators of Central America, 1985

	Population in thousands	Crude birth rate	Crude death rate	Rate of natural increase	Total fertility rate	Infant mortality rate	Life expectancy	Population under age 15	Population 65 plus
Costa Rica	2600	30.5	4.2	26.3	3.5	20	73.0	36.7	3.8
El Salvador	5552	40.2	8.1	32.1	5.6	71	64.8	44.6	3.4
Guatemala	8403	38.4	9.3	29.1	5.2	68	60.7	43.1	3.0
Honduras	4372	43.9	10.1	33.8	6.5	82	59.9	46.9	2.9
Nicaragua	3272	44.2	9.7	34.5	5.9	85	59.8	46.7	2.5
Panama	2180	28.0	5.4	22.6	3.5	26	71.0	37.5	4.5

Source: ref. 6

higher in Costa Rica and Panama. In Panama and Costa Rica for example, more than 60 percent of married women of childbearing age use modern contraceptive methods. In the other countries, the comparable figure is 35 percent or less.

Previously, high fertility rates, and, to a much lesser extent, mortality, have shaped the age distribution of Central American countries, leaving almost half of the population under age 15. Thus working adults are required to support a large number of dependents. Only in Costa Rica and Panama is less than 40 percent of the population under age 15. By contrast, 30 percent of the United States population is under age 15.

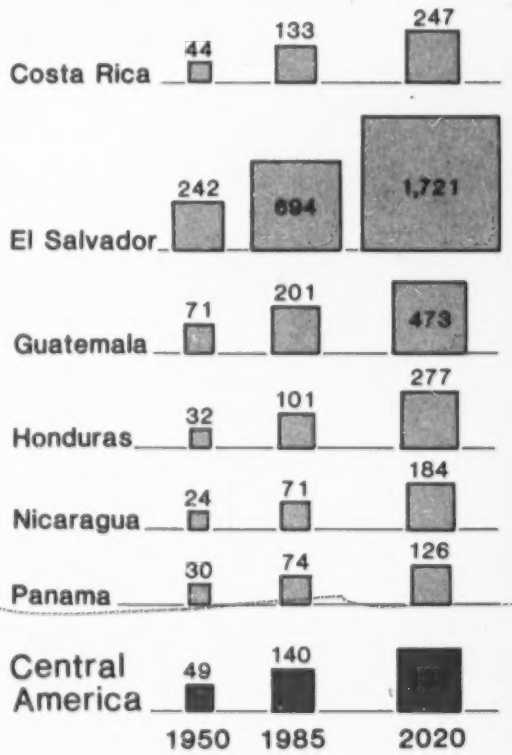
Only now is the proportion of children in the Central American population beginning to decrease. This means that for several decades the number of potential mothers, as well as the number of new students and labor-force entrants, will continue to rise. Labor-force growth rates reflect former fertility rates as well as other factors, including changes in the number of women looking for work. For these reasons, labor-force growth rates in almost every Central American country now exceed population growth rates.

Several decades of rapid population growth have drastically increased population density in the region. (See figure 2.) Between 1950 and 1985, the number of people per square mile nearly tripled, from 49 to 140. This is generally lower than comparable figures for Europe but more than twice as high as in the United States. By the year 2000, the number of people per square mile is expected to reach 214, and by 2020, 333.

Average population density for the region conceals substantial variation from country to country. In 1985, four countries had population densities of 133 persons or less per square mile. The lowest population densities were found in Nicaragua and Panama, each containing 71 and 74 persons per square mile respectively. In Guatemala, the figure was 201 and in El Salvador 694. El Salvador has a population density three to ten times greater than that of its neighbors. By 2020, the population density of El Salvador, according to the latest projections, should reach levels comparable to 1985 figures for Bangladesh, one of the world's most densely settled countries.

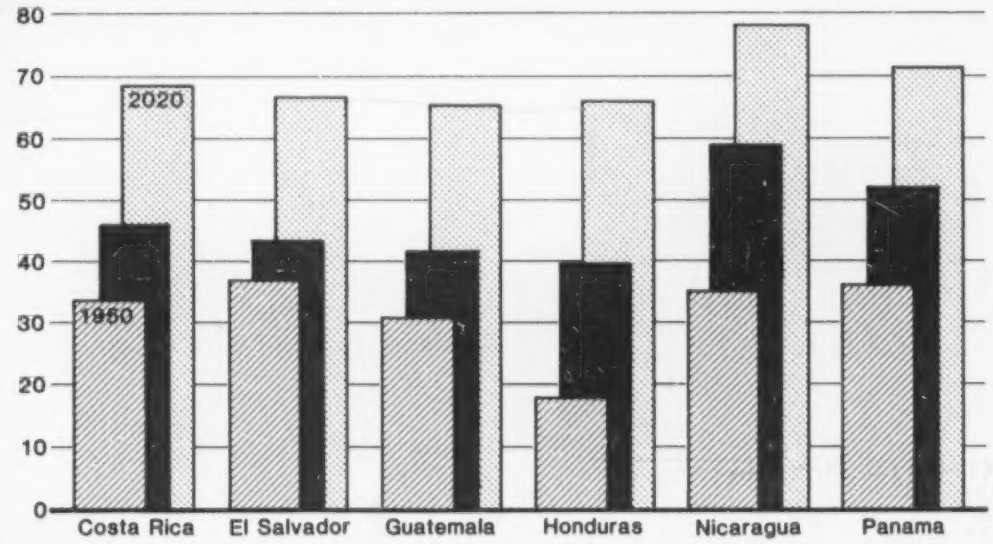
As in the rest of the developing world, population increases have been accompanied by rapid urbanization. Yet Central America is less urbanized than the rest of Latin America. Whereas in 1985, 66 percent of the population of South America was urban, only 45 percent of Central Americans lived in urban areas. Levels of urbanization within Central America, however, are substantial. (See figure 3.) Urban population growth rates during the 1980 to 1985 period were greater than 4 percent, reflecting the continued high level of migration from the countryside to the cities. Guatemala and Hon-

Figure 2
Population density (per square mile): Central America, 1950 to 2020



Source: ref. 2

Figure 3
Percent of the population urban: Central America, 1950 to 2020



Source: ref. 3

duras are more rural countries, and Nicaragua and Panama more urbanized.

Central America has undergone remarkable demographic change over the last 40 years and will experience equally dramatic changes in years to come. To what extent these changes have interacted with other developments to produce the current political crisis is discussed in the following sections, in which the effects of land tenure, land use, employment, education and living conditions in general are reviewed.

Land Tenure: Maintaining the Status Quo

Over the past several decades, the agricultural sector has failed to accomodate the needs of a growing number of Central American peasants. Although land provides a livelihood for close to half of the economically active population, most of it is owned by very few individuals. Only now are some significant shifts in ownership taking place.

Highly inequitable income distribution is associated with extreme land concentration in agrarian societies. Relatively few large landholders control most, and usually the best, lands and receive disproportionate shares of the wealth generated by agricultural products. Large landholders also tend to specialize in producing export crops and to use modern production methods that require less labor, thereby increasing already high levels of unemployment and underemployment. In contrast, small landholders toil on minute farms that even under intensive cultivation cannot sustain a family. The contradictory goals of agricultural modernization and creation of additional rural employment are a familiar, if difficult to resolve, dilemma facing poor and basically agricultural nations attempting to develop.

El Salvador is a worst-case example. During the 1970s, almost 90 percent of all farms in the country were too small to sustain a family. When such an inequitable land-tenure system prevails, small landholders and landless peasants live precariously because they depend, partly or fully, on limited and highly seasonal employment on large estates. Aggravated by rapid population growth, which increases the numbers in the labor force, rural wages are kept low—essentially at the subsistence level—and employer/employee relations become semifeudal in nature.

The introduction of modern agricultural methods has exacerbated the situation. Higher earnings generated by the export sector and fiscal policies favoring capital-intensive agriculture have intensified land concentration and led to the replacement of manual labor by machinery. This has reduced further the labor-absorbing capacity of rural areas. Land fragmentation through inheri-

tance, the expansion of large holdings and capital-intensive agriculture add to competition for land among the growing number of peasants and, even more grave, between peasants and large landholders. The result is increased pauperization of the rural poor and an outmigration from rural areas to cities or unoccupied lands.

The Shift in Land Use

According to the latest estimates of the United Nations' Food and Agricultural Organization, between 1975 and 1982 alone the land area covered by forests and woodlands in Central America declined from approximately 44 percent to 38 percent.

Central American countries differ in the amount of forested areas they contain. (See table 2.) In every country except El Salvador, forests account for 30 percent or more of the total land area. In Guatemala and Panama, more than 40 percent of the land is forested. In El Salvador, the most densely populated country in the region, only 6.2 percent is forested. The rough and mountainous topography of the region partly explains the relative abundance of forests; it also represents an impediment to agriculture.

The ongoing land-conversion process has only partially resulted from population pressures. One such process, slash and burn agriculture, practiced by primitive subsistence peasants, usually does not result in permanent removal of the forest cover. Forest land is permanently transformed when peasants or large agricultural concerns continuously farm or plant crops in what were once virgin forests. This may occur when landless peas-

While beef production brings in valuable export earnings, there is some worry about the long-term consequences of land-conversion practices.

Table 2: Land use in Central America, 1975 and 1982

	Costa Rica		El Salvador		Guatemala		Honduras		Nicaragua		Panama	
	1975	*1982*	*1975*	*1982*	*1975*	*1982*	*1975*	*1982*	*1975*	*1982*	*1975*	*1982*
Arable land and permanent crops	10.0	12.5	31.6	35.0	15.2	16.4	14.6	15.8	10.4	10.6	7.4	7.7
Permanent pasture	32.2	42.8	29.3	29.4	10.7	12.3	30.4	30.4	38.7	42.1	15.3	15.3
Forests and woodlands	43.5	32.3	8.1	6.2	45.5	40.5	40.0	34.9	42.5	35.9	56.8	54.1
Other land	14.3	12.4	31.0	29.4	28.6	30.8	15.0	18.9	8.4	11.4	20.5	22.9

Source: ref. 7

ant farmers expand agricultural frontiers or when large commercial farms increase production for export. But this expansion, according to many observers, is not so much a result of population increases as of the lack of available farmland due to the concentration of land among a few landholders. For example, in El Salvador, most of the reduction in forest cover results from the cultivation of crops in what were once forest areas. But this is influenced as much by the peasants' lack of access to farmland as by population pressure on the land. (See box.)

Conversion of forest land to pastures in some countries is the main culprit in the drastic reduction in the region's forests. Nicaragua and Costa Rica are good examples; in the latter, a 10 percentage point increase in the area of permanent pastures (from 32 to 42 percent) was recorded over a seven-year period. Expansion of the number of pastures can only indirectly, if at all, be linked to population growth. In fact, pastoral activities use little labor and may displace labor engaged in more traditional endeavors. Large-scale agricultural entities producing beef for export account for the expansion of pasture lands. During the 1960s and 1970s, the Central American countries, Costa Rica most of all, embraced development strategies that emphasized economic diversification and increased exports. Substantial increases in beef production, favored by leading multinational lending agencies, were oriented to serve the needs of markets in developed countries. The link to population increase lies in the need for export earnings to sustain rapidly growing urban populations, which are fed by migration of workers displaced by the diversification process, among other reasons.[2]

While the emphasis on beef production achieved its objectives, there is some worry about the long-term consequences of land-conversion practices. These benefits may be limited, and conversions may cause serious ecological damage. Cleared lands run the risk of becoming unproductive and incapable of supporting a forest or accomodating future population growth.

Clearing forests for agricultural uses also has been a favored policy in relieving rural tensions caused by population growth and unequal land distribution. Governments have preferred to resettle landless peasants rather than to implement agrarian reforms opposed by the oligarchy. As the limits to forest conversion are approached in countries such as Costa Rica (because of conservation efforts), the focus of agrarian reform efforts has shifted to the purchase and distribution of large and uncultivated holdings. More recently, land-reform measures throughout the region have intensified, often under great political pressure.

While the short-term effects of population growth on land use should not be overestimated, it is unrelenting population growth in future decades that will become a leading instigator of change in land use. The population momentum associated with the region's age structure ensures that population size, and hence population density, will continue to increase rapidly for several decades,

Demographic Crisis in El Salvador

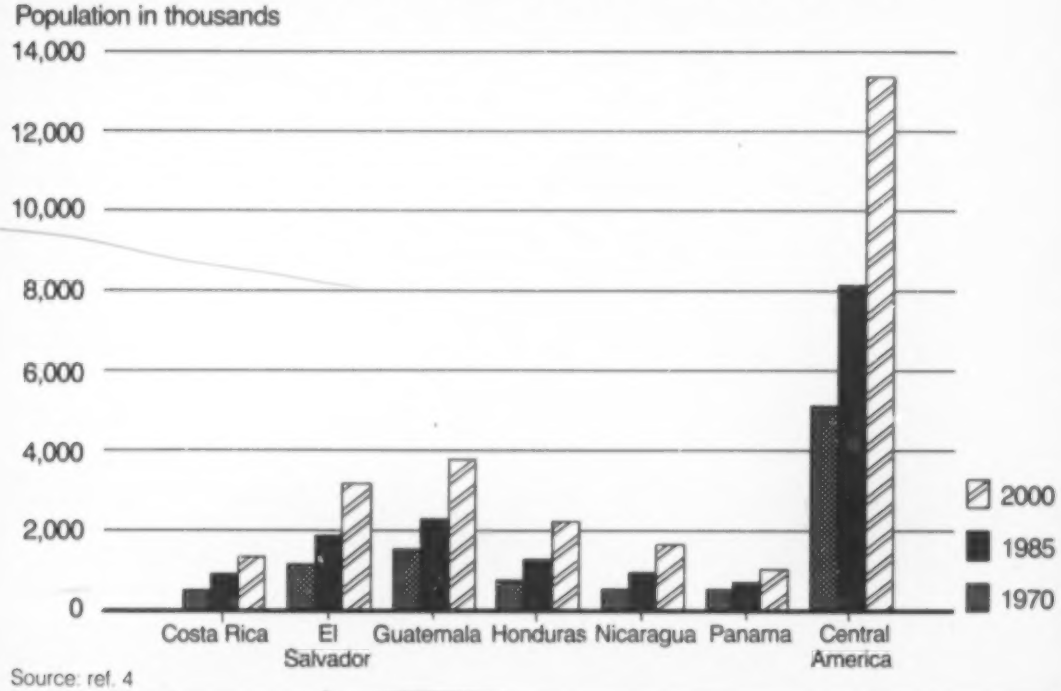
El Salvador merits special attention because in many minds it epitomizes demographic crisis. Seriously damaged ecologically and with one of the highest population densities in the Western Hemisphere, the country has nearly attained its maximum population carrying capacity. One must remember, however, that the population carrying capacity of a nation (a rather elusive concept in itself) is also a function of changing technology, human capital and the workings of human institutions.

The severity of the socio-economic plights of the rural poor in El Salvador lies more in the greed and inhumanity of the country's oligarchs than in an absolute shortage of agricultural land, according to William H. Durham. In a study of the ecological causes of the 1969 war between El Salvador and Honduras, Durham concluded that extreme land concentration was a more important determinant than population growth or land competition between small farmers in both countries.* Fifteen years after Durham's study, the absolute increase in the number of peasant families in El Salvador has outrun the availability of agricultural lands. But even now, and while literally looking into the barrel of a gun, large landowners continue to resist land redistribution attempts.

Unjust power structures also cause urban poverty. It is worsened, however, by high population growth. The alleviation of poverty in El Salvador, as in many other Central American countries, can be achieved only through promoting higher economic growth rates and equitable social systems. This must be accompanied by a decrease in population to levels more in accord with the country's potential and consonant with its long-term interests and those of its neighbors.

*Durham, William H., *Scarcity and Survival in Central America*, Stanford University Press, Stanford, 1979.

Figure 4
Central America: Growth of labor force 1970, 1985, 2000



Source: ref. 4

even if fertility declines occur in the near future. If the Central American countries are to prosper economically, they must increase their industrial and service sectors because there are limits to the number of people the rural sector can absorb. El Salvador has reached the point at which virgin lands are almost exhausted. It is estimated that even if all three phases of an agrarian reform program being implemented in El Salvador were to be completed, some 150,000 peasant families, or about 31 percent of all farm families, would remain landless.[3] The simple reason for this is that there is not enough land to distribute. Future population growth will make the situation more acute.

Employment and Education

Employment is at the crux of the Central American crisis, and in turn is closely associated with the region's population growth. The increase in the size of the economically active population since the 1960s has been dramatic, and it is likely to continue unabated well into the 21st century. The United Nations Latin American Demographic Center (CELADE) estimates that the region's economically active population doubled in size in just 15 years, from 2.08 million in 1970 to 4.16 million in 1985. (See figure 4.) It is expected to double again over the next 15 years, reaching more than 8 million by the turn of the century.[4]

Rapid labor-force growth intensifies pressure on a labor market already suffering from chronic unemployment. Unemployment rates—in all countries at 10 percent or higher—are somewhat misleading because they do not include underemployment, which is estimated to exceed 30 percent. The current economic crisis and the destruction of productive infrastructures in several countries due to armed conflicts have caused the situation to deteriorate further.

The labor force is not a homogeneous entity. It is one thing to provide work to the unskilled and a far different matter to create employment for the educated and more skilled. While the latter are potentially more productive, they also have greater expectations, require higher wages and seek work opportunities that are more costly to finance.

Notable gains in educational attainment have occurred in Central America over the past few decades.

Primary school enrollment rates in Costa Rica, Nicaragua and Panama now approach 100 percent and have risen rapidly in all other countries. (See table 3.) Significant gains have likewise been made at the secondary level; in 1981, only in Guatemala and El Salvador were secondary school enrollment rates below 20 percent. Levels of higher education enrollments soared between 1960 and 1980, increasing in some cases by five times or more.[5]

Despite these impressive gains, serious educational deficits persist. Educational curricula generally are not well suited to the region's needs, and the quality of education is less than ideal. Substantial declines in illiteracy rates have been accompanied, almost without exception, by increases in the absolute numbers of those who cannot read or write. The needs of earlier generations and population growth have retarded progress despite considerable educational expenditures.

It is not difficult to establish links between labor-force growth, unemployment, rising education levels and social and political instability. Frustrated expectations have always been linked to revolution. With limited channels for social and economic mobility, it is not surprising that the young and better-educated are at the forefront of movements to change unjust and archaic political and economic systems. These systems thwart expectations and preclude political participation. Younger generations are aware of the discrepancies between the official rhetoric of liberty, equality and progress and the realities of inequality and privilege for the few. Getting the better-educated involved is the key to mobilizing public opinion and to motivating the poor masses who usually provide the cannon fodder of revolution.[6]

The Condition of Poverty

The pronounced social inequities in Central America are reflected in available income-distribution estimates. (See table 4.) The poorest 20 percent of the people receive only 3.7 percent of the total income, or an average of $90 per capita per year. Fifty percent of the people subsist on an average of $200 a year. The richest 20 percent receive seven times as much as the poorest 20 percent.

The United Nations' Economic Commission for Latin America estimates that 65.4 percent of the region's population is either extremely poor or unable to satisfy all its basic needs. In Costa Rica, only 24.6 percent of the population is estimated to be poor, as opposed to El Salvador, Honduras and Guatemala where more than 60 percent of the population is poor. (See figure 5.) Poverty levels are far more severe in rural areas; in some countries, 80 percent or more of the rural inhabitants are

Table 3: Educational indicators of Central America

	Number enrolled in primary school as percentage of age group		Number enrolled in secondary school as percentage of age group		Number enrolled in higher education as percentage of population aged 20-24	
	1960	*1981*	*1960*	*1981*	*1960*	*1981*
Costa Rica	96	108	21	48	5	26
El Salvador	80	61	13	20	1	4
Guatemala	45	69	7	16	2	7
Honduras	67	95	8	30	1	8
Nicaragua	66	104	7	41	1	12
Panama	96	111	29	65	5	27

*Gross enrollment ratios may exceed 100 percent as some students are above or below the official 6-11 year primary school age group.

Source: ref. 8

Table 4:
Percent of total income and average income of the poorest and richest in Central America towards 1980, in 1970 United States dollars.

	Poorest 20 percent		Richest 20 percent	
	% of Income	*Avg. Income*	*% of Income*	*Avg. Income*
Costa Rica	4.0	177	49.0	1165
El Salvador	2.0	46	66.0	1536
Guatemala	5.5	111	55.0	1134
Honduras	4.3	81	59.3	796
Nicaragua	3.0	62	58.0	1200
Panama	2.7	120	60.3	2710
Central America	3.7	90	57.4	1423

Source: ref. 9

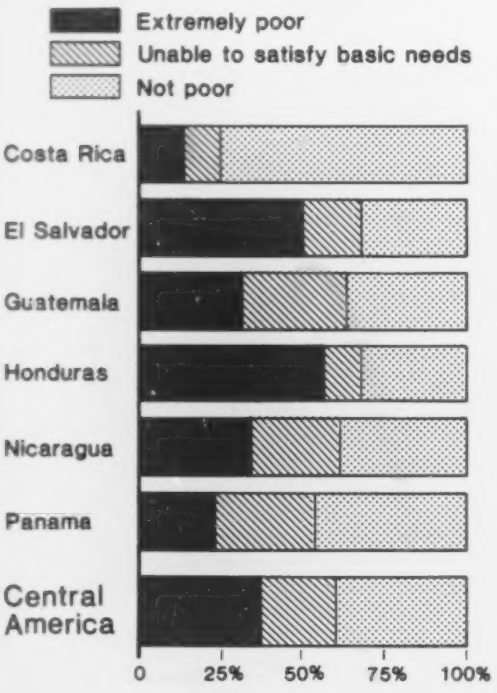
poor.[7] This partially explains the high rates of rural to urban migration. The poor are not much better off in urban areas where employment opportunities are limited. Rapid population growth aggravates these inequalities, particularly because competition for scarce resources intensifies, and per capita income tends to be lower in poor families with many children. The poor and less-educated are likely to have more children than the better off.

Extreme poverty causes a great deal of human suffering, particularly when contrasted with the conditions under which the wealthy live. Not only are income levels of the poor insufficient, basic social services for the poor also are shortchanged. Modern medical services are limited and concentrated mainly in cities. Poor nutrition and unsanitary living conditions combine to increase the incidence of disease; infectious diseases are the major causes of death in the region. (See table 5.) In all countries except Costa Rica and Panama, the average daily caloric intake falls short of minimum requirements. Because these estimates do not take into account the way in which food is distributed, the nutritional status of the poorest income groups is even more precarious than suggested by the statistics.

Two decades of rapid but uneven economic growth in Central America were unable to improve the diet of the poor. Between 1965 and 1967 and 1974 and 1976, the proportion of malnourished children (under 5 years of age) increased from 25 percent to 33 percent; by the mid-1970s, there were 1.1 million malnourished children in Central America, an increase of 67 percent from the

Notable gains in education have been achieved in the past few decades; in some countries primary school enrollment is approaching 100 percent.

Figure 5
Percent distribution of degree of poverty estimates: Central America towards 1980



Source: ref. 5

mid-1960s.[8] Only Costa Rica was able to reverse this trend; its fertility decline, along with more equitable socio-economic policies reduced the number of malnourished children. More recently, Panama has made significant inroads in improving nutrition and health. This also may be occurring in revolutionary Nicaragua despite serious economic difficulties. A recent study suggests, however, that progress in health-care has been interrupted by the destruction accompanying the guerilla war in Nicaragua.[9]

In view of the nutritional statistics, it is not surprising that infant mortality rates are high. Once again, Costa Rica and Panama are the exceptions. Elsewhere, and consistent with the high infant mortality rate, large numbers of deaths are ascribed to enteritis and other diarrheal diseases, the leading causes of death in the region. Children, and particularly malnourished children, are vulnerable to these conditions. The incidence of infectious diseases is greatest where there are unsanitary living conditions, such as lack of clean water and inadequate sewage services. Even in urban areas, only about half of the population has piped water; comparable access is severely limited in rural areas. Except for Panama, sewer services are available to only 20 percent or less of the population and are practically nonexistant in rural areas of some countries. Housing conditions in the poorest countries are deplorable. Shantytowns surround the major cities; housing in rural areas is even worse. In El Salvador, for example, more than 50 percent of urban housing and 80 percent of rural housing fail to meet the minimum standards for habitation. Millions of new dwellings are required to adequately house the existing population, and more will be needed for future growth.

The Impact of Demographic Factors in the Crisis

To sum up, the root causes of the crisis are, first, a long history of injustice and political repression, and second, the severe impact the economic depression has had on the region following several decades of rapid economic growth that raised popular expectations. As political scientist Robert Pastor has stated, the crisis is largely a result of change and not stagnation.[10]

Rapid population growth is undeniably involved in the crisis. It has added pressure to labor markets already saturated with unemployed and underemployed persons; it increases pressure on the land, and it taxes governments' abilities to provide needed social services. Indirectly, rapid population growth plants seeds of discord by continuously increasing the ranks of unemployed youth and creating stiffer competition among those trying to improve their lot in life, particularly in ossified social systems. The role of population growth in the crisis is indirect in that it aggravates existing problems by acting, as Alan Kelley has described it, in an "accomplice" role.[11] Poverty and closed political systems do not come about primarily from sheer increases in human numbers. To a large extent they result from faulty human institutions, poor economic conditions and natural resource constraints. Rapid population growth aggravates these problems, particularly when economic growth is sluggish.

Demographic Consequences of the Crisis

Political crises and the violence accompanying them have had a noticeable but immeasureable effect on Central America's demographic processes. Most visible

are the voluminous flows of refugees and internally displaced persons generated by the fighting. Most tragic are the many deaths produced both directly and indirectly by military clashes and other violence. Some of these effects are short term and will barely affect the future of the region. Others are likely to be felt for decades to come.

The number of people displaced by war in Central America began to rise when violence in the region increased during the 1978 Nicaraguan revolt against Somoza. Approximately 60,000 Nicaraguans had become refugees by the time Somoza was toppled in 1979, the majority of whom returned home once the new government came into power. Others, however, fled at that time. Between 1979 and the present thousands of Nicaraguans sought asylum in Honduras and Costa Rica.

The violence in El Salvador is estimated to have displaced between 500,000 and 750,000 persons by 1984 (the actual figure depends on the estimate chosen).[12] About one-fourth of the refugees are believed to be in Mexico, with many others thought to be in other Central American countries. Some observers believe that up to half-a-million Salvadoreans have migrated to the United States without official documents of entrance (the statistical basis for these estimates, however, is weak.) In addition, many Guatemalan and Nicaraguan refugees are residing in the United States. Approximately 46,000 Guatemalans are living in 30 United Nations' sponsored refugee camps in southern Mexico; more Guatemalans

A doctor examines a Nicaraguan baby suffering from a diarrheal disease, one of the leading causes of death in Central America.

Table 5: Health related indicators of Central America

	Population per				Daily calorie supply per capita	
	Physician		Nursing Person		total	As percentage of requirement
	1960	*1980*	*1960*	*1980*	*1981*	*1981*
Costa Rica	2740	1460	720	450	2686	118
El Salvador	5330	3220	—	910	2146	94
Guatemala	4640	8610	9040	1620	2045	93
Honduras	12620	3120	3110	700	2171	96
Nicaragua	2690	1800	1250	550	2184	99
Panama	2730	980	760	420	2271	103

Source: ref. 10

Mothers and babies in the waiting room at a health clinic.

are living outside the camps.[13] Central Americans also can be found in Canada, Europe and other Latin American countries.

The number of persons displaced within the countries might well be greater than the number of international refugees. Counterinsurgency campaigns and guerrilla activities in El Salvador, Guatemala and Nicaragua have uprooted hundreds of thousands of people. Many of these individuals have been forcibly relocated by the military, while the remainder have simply fled to escape the violence. Many flock to major urban centers. Demographer Linda Peterson estimates that by 1983 more than 430,000 Salvadoreans had left their habitual places of residence. She concludes that approximately 20 percent of El Salvador's population, counting both internally displaced and international refugees, have fled their homes, a vivid indication of the magnitude of the phenomenon.[14] Many of those migrating to other countries may have done so for economic reasons, although in practice it is difficult to separate their motivations.

One can only speculate on the long-term consequences of these population displacements. Central American countries are losing through migration many of their most skilled workers during their most productive years. Many migrants have suffered serious disruptions in their lives—education has been interrupted, life-savings lost and marriages postponed. Those who have fled abroad may help perpetuate future emigration as they try to reunite their families. If undocumented immigrants are allowed to legalize their status in the United States, for example, this flow could increase rapidly. Migrant earnings remitted to relatives left behind, already an important source of financial support for families in El Salvador, also are likely to rise.

The number of deaths produced by armed clashes and political assassinations runs into the tens of thousands. An even greater number of deaths is likely to have resulted from malnutrition, discontinuations of social services and poor or nonexistant medical care. Most vulnerable are young children.

Some attempts, however, have been made to mitigate the consequences of internal strife. In February 1985, a brief truce was called in El Salvador to allow health personnel, assisted by international agencies, to immunize 400,000 people.[15] In addition, unconfirmed press reports suggest that the Nicaraguan government's efforts to expand its network of primary health-care facilities is having an impact on that country's high infant mortality rate. While these efforts may be signs of hope, mortality rates continue to rise where violence occurs.

The effect of the crisis on fertility is even more uncertain and difficult to measure. Fertility rates decline during periods of hostility because marital separations, deaths and emigration lead to fewer conceptions and a decrease in the number of births. Disruption of family planning services, on the other hand, may induce an increase in the number of unwanted pregnancies.

Due to the combined effects of changes in birth, death and migration rates, population growth in the countries

most affected by the violence is likely to have declined. While refugee flows reduce population growth rates in countries of origin, they have the opposite effect in asylum countries. To what extent population growth rates have decreased is unknown. But higher mortality and temporary fertility reductions caused by war are among the notorious Malthusian checks that have historically arrested population growth. Finally, the social and economic disruption that accompanies political upheaval has not helped the region's employment situation and has had chaotic consequences for the provision of even the most rudimentary of social services.

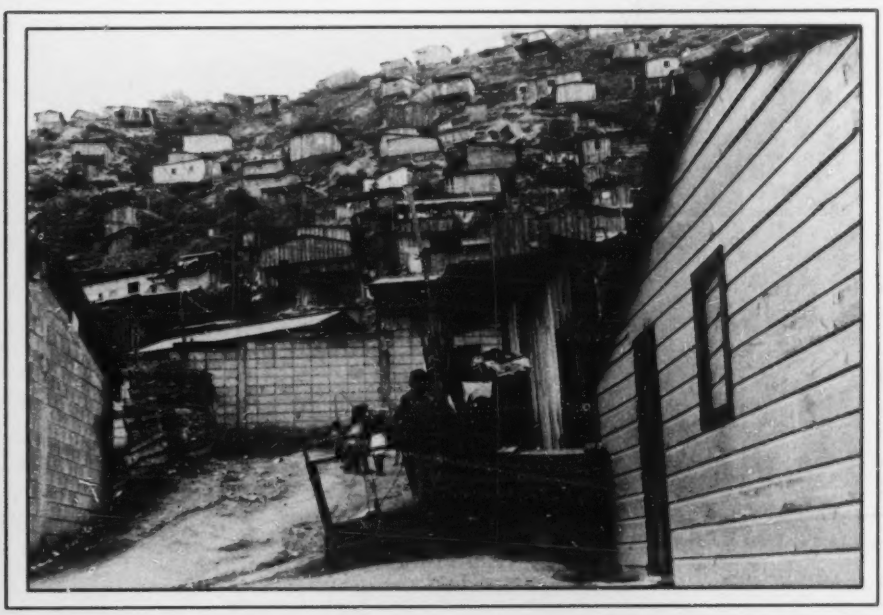
The Future

Solving political and economic crises and putting an end to continued bloodshed are Central America's top priorities. It is impossible to anticipate the ending of conflict, but regardless of how it occurs, there is little doubt that the conflict has accelerated the socio-economic transformation upon which Central America embarked in the post-World War II era.

Once the immediate political problems are settled, Central America will again have to tackle the more intractable issues of sustained socio-economic development and rapid population growth. In a world of rising expectations, bringing about socio-economic reform will be a far more difficult and complex proposition. Many of these expectations have been acquired from advanced industrial societies. To satisfy those expectations is a tall order—one that Central American economies are presently ill-equipped to handle.

Very high population growth rates are incompatible with a just and prosperous Central America. Continuation of rapid population growth will impede socio-economic advances and further exacerbate many existing constraints. A more equitable and prosperous social order, however, would be a major ingredient in reducing population growth rates. Once the needs of the poor are served—in education, employment, health, housing and other areas—modernizing influences will gradually begin to erode traditional cultural norms favoring large families.

Development of regional population policy needs to be responsive to what its politically progressive opinion leaders perceive to be current political, economic and social realities. These leaders are well aware of the detrimental effects of rapid population growth, but they also face political and cultural sensitivities. In this context, isolation of population from issues of social and economic structure would be counterproductive. To the extent that family planning programs can be promoted with a framework of social evolution and economic growth, emphasizing benefits to the health of mothers and children and the welfare of the family, they are likely to attract broad support and contribute to the building of a better future for the region's inhabitants. A lot more can be achieved "quietly rather than loudly," as the Wiardas suggest.[16]



Many rural dwellings fail to meet the minimum standards for habitation.

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POPULATION TRENDS AND PUBLIC POLICY

Demographic Trends Tax the IRS

by Peter A. Morrison
and Paola Scommegna

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Demographic Trends Tax the IRS is the eleventh in a series of occasional papers, Population Trends and Public Policy, published by the Population Reference Bureau, Inc. This series is devoted to a discussion of demographic issues of concern to policymakers.

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April 1986

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Demographic Trends Tax the IRS

In Summary

Demographic changes reshaping U.S. society will make the IRS's job of processing individual tax returns more difficult in future years. During the rest of the 1980s and into the 1990s, the IRS will be faced not only with more returns but more complex returns, the result of social changes such as increasing divorce and remarriage, single parent families, dual-earner couples and retirees working part-time. At the same time, shifts in the labor force brought on by an aging baby-boom generation and the baby-bust generation's move into their working years will make it harder for the IRS to maintain an experienced work force to tackle the job.

In this latest issue of *Population Trends and Public Policy*, Peter A. Morrison of the Rand Corporation and Paola Scommegna of the Population Reference Bureau examine the trends affecting tax collection from a policy perspective. While they focus on the impact of demographic change on the IRS, they note that the same impact will be felt to varying degrees by state tax administration offices and thus it must figure into planning at both the state and national level.

Most Americans are aware of the demographic shifts affecting our society—the trend toward smaller households, changes in work patterns and the age makeup of the population, and regional migration. The combined impact of these trends, however, presents a major burden for the IRS.

Smaller and more varied households are increasing IRS's work load. These smaller households are different from households 20 years ago. Today there are a greater proportion of childless couples, children living with only one parent, people living alone (elderly widows in particular) and unrelated people living together. The large numbers of divorced and remarried individuals present the IRS with compliance problems as parents who do not have child custody claim exemptions or as parents continue to claim dubious exemptions after they remarry.

The jump in the number of wage-earning wives has sharply increased the proportion of high-income families. The number of taxpayers with an income over $50,000 have risen steadily in recent years—growing from 2.2 million in 1980 to 6.9 million in 1984. As the baby-boom generation reaches middle-age and the peak of their income-earning years, unprecedented numbers of dual-earner couples will be in the $50,000 plus income bracket. By 1992, 18.6 percent of all individual tax returns are expected to top the $50,000 mark.

These high-income taxpayers are costly for the IRS—they tend to make more errors in their calculations (presumably because of the variety and complexity of their sources of income) and they tend to file itemized 1040 forms which cost the IRS 28 percent more to process than the 1040A forms.

Among the elderly, more retirees are working part-time as independent contractors or are self employed. This type of work situation presents compliance problems for the IRS because "off-the-books" exchanges are sometimes used. The increase in coverage of Keogh, IRA and other pension income received by growing numbers of retirees will further complicate tax processing.

The IRS's ability to process the more complex tax returns of the future will be affected by the changing age mix of the population. The IRS itself has a higher-than-average proportion of baby boomers in its own work force. In future years, this large number of baby boomers will have to compete for fewer upper-level positions. With limited opportunity for advancement, the IRS may lose some of its most qualified workers, just when they are most needed. At the same time, as the relatively small baby-bust generation enters the labor force a shortage of entry-level workers is foreseeable. As a result, the IRS may be forced to pay more for entry-level programmers and accountants.

Regional migration has brought population decline in the northeast and relatively rapid growth in the Mountain and Sun Belt states. Much of this growth is occurring in small and medium-sized towns. For the IRS this will mean a more dispersed population to service and a faster-growing work load in regions not equipped to handle it.

The impact of new legislation on the IRS is more difficult to predict. The Gramm-Rudman-Hollings budget-balancing law may mean a budget cut for the IRS. The tax reform plans now under discussion may cut down on the number of people who choose to itemize, saving the IRS time and money. According to the report's authors, the demographic trends affecting the IRS must be carefully weighed as policy makers work to reform tax policy and seek to limit federal spending.

Demographic Trends Tax the IRS

by Peter A. Morrison and Paola Scommegna

Although some taxpayers may respond to the news with uncharitable crocodile tears, several ongoing demographic trends transforming U.S. society will confront the Internal Revenue Service (IRS) with difficult challenges in carrying out its mission through the rest of the 1980s and the 1990s. Of course, these changes will affect everyone's lives—including those of taxpayers—but the IRS will be affected uniquely.

The demographic trends challenging the IRS during the next 15 years fall into two broad areas: managing a return-processing work load that will grow larger and more complex for demographic reasons; and maintaining a balanced, experienced IRS work force in the face of demographically induced changes in the labor market.

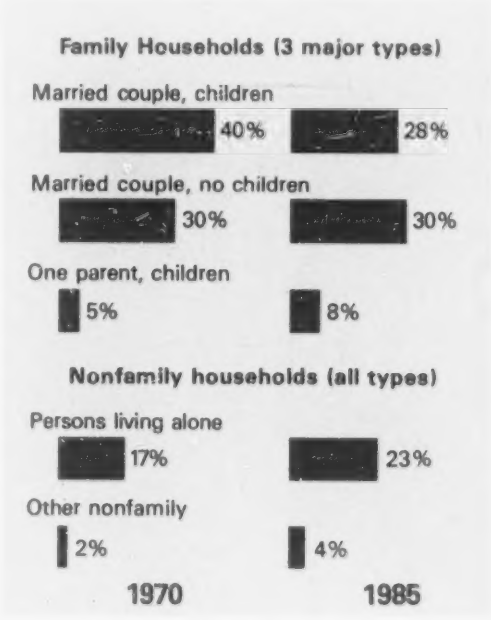
Four major demographic trends underlie these challenges: (1) the population's reconfiguration into smaller household units, especially those consisting of persons living alone; (2) changing employment patterns, particularly the shift of married women into paid employment and the resulting rapid increase in dual-earner families; (3) changes in the proportion of the population in various age groups; and (4) regional migration which is causing some areas to gain population and other areas to lose.

Household Reconfiguration

American households are becoming smaller and more varied. Smaller households are not simply shrunken versions of larger ones. There are now more childless couples, children living with only one parent, unmarried parents, people living alone (elderly widows in particular) and unrelated people living together. In 1985 the average household had only 2.7 members—fewer than ever before—and the number is shrinking. By the mid-1990s the size of the average household could drop even further, to as low as 2.3 persons.

It has become necessary to describe household in two broad categories: family and nonfamily. Among family households, the traditional married couple with children is the only type of household that declined

Figure 1
Proportion of U.S. households by living arrangement type, 1970 and 1985



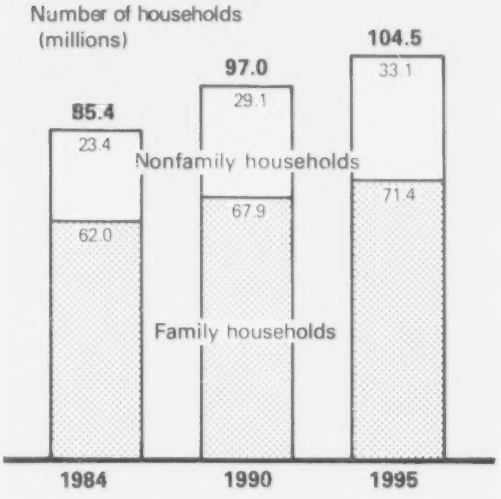
Source: ref. 1

relative to the others—dropping from 40 percent of all households in 1970 to only 28 percent in 1985 (Figure 1). Couples have been postponing parenthood or foregoing it altogether. Thus, there still are families, but fewer with children. In the other direction, the one-parent family is on the rise as marriages dissolve and as unmarried mothers keep their babies. One-parent families now comprise 8 percent of all U.S. households and about 11 percent of all families.

Nonfamily households have also multiplied in recent years. The vast majority consists of persons living alone: young people not yet married, people between marriages, and (roughly one-third of the total) elderly persons. Nonfamily households now make up nearly a quarter of all households, and therefore have altered the numbers and types of taxpaying entities. The growing prominence of nonfamily households is reflected in Figure 2, derived from U.S. census figures. The total number of households is expected to expand from 85.4 million in 1984 to 97.0 million in 1990, and nonfamily households will account for more than half of that 11.6 million gain.

The reasons for this dramatic change are not difficult to locate. For some time now, growing numbers of young couples have been divorcing—and doing so earlier in their lives. Consider the marriages of women who were 55 years old in 1980. (See Figure 3, page 4.) Not until age 43 did the divorce level among these women reach 25 percent. By comparison, women who were born two decades later and are now age 35 reached that level at age 29, 14 years earlier.

Figure 2
Current and projected number of U.S. households by type, 1984, 1990 and 1995

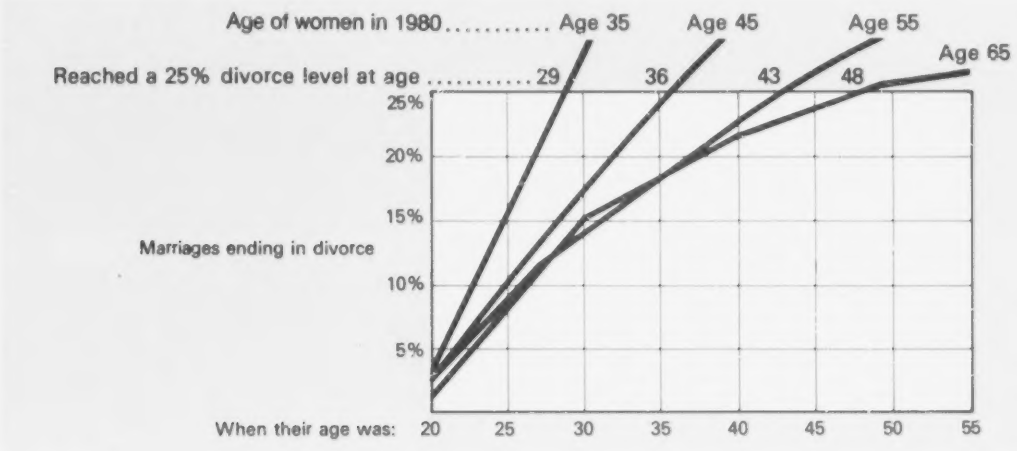


Source: ref. 2

Changes in labor force participation rates have combined with other trends to make the IRS's work load more complex.

Figure 3

Age at which 25 percent of U.S. women had experienced divorce, by age group, 1980



Source: ref. 3

Most divorced people eventually marry again; until they do, they are demographically "between marriages." Where children are involved, such people confront the IRS with a potential compliance problem: the duplicate or otherwise questionable exemptions claimed by parents who do not have child custody and who may continue to claim dubious exemptions even after they remarry.

Changing Employment Patterns

The IRS work load also has enlarged with the influx of married women into the work force. Wage-earning women have sharply increased the proportion of high-income families. Since the two-paycheck family earns about two-fifths more income than families where the husband is the sole earner, they are more likely to file an itemized and otherwise complex tax return with multiple attached schedules. And when they retire, dual-earner couples are likely to file returns that will necessitate a multitude of computerized matches to check IRA and Keogh accounts and other sources of pension income accumulated over the course of each spouse's working career.

The rise of dual-earner couples can be attributed to the tide of young wives—including those with preschoolers—entering the work force. By 1984, more than half of all mothers with preschoolers were in the work force (Figure 4). Obviously, young wives have made important changes in the way they order their careers as mothers and income earners. They now go to work earlier in life, go back to work soon after their children arrive, and tend to stay in the work force. One result has been that mothers with preschoolers

Figure 4

Labor force participation of wives and mothers, 1930 to 1984

Source: ref. 4

now hold paying jobs at the same rate as women generally.

It would be useful to know how much higher women's labor force participation rates will climb—and how fast. The comparisons of various age groups in Figure 5 give some indication. These data reveal that a profound change has transformed women's lives. Successively younger generations of women are displaying progressively higher labor force participation rates at a given age. For example, nearly two-thirds of women currently in their 30s are in the labor force, and more than half of them were already at work in their early 20s. These rates are substantially higher than those registered at the same age by the generation of women who are currently in their 40s.

An even higher proportion of women now in their 20s began their adult lives in the work force, and the pattern of the past implies that two-thirds or perhaps even three-quarters of them may be in the work force by middle adulthood. In short, older generations of women (who joined the labor force later in life, if at all) are being replaced by younger generations, most of whom entered the work force early in adulthood and, to date, have remained at work.

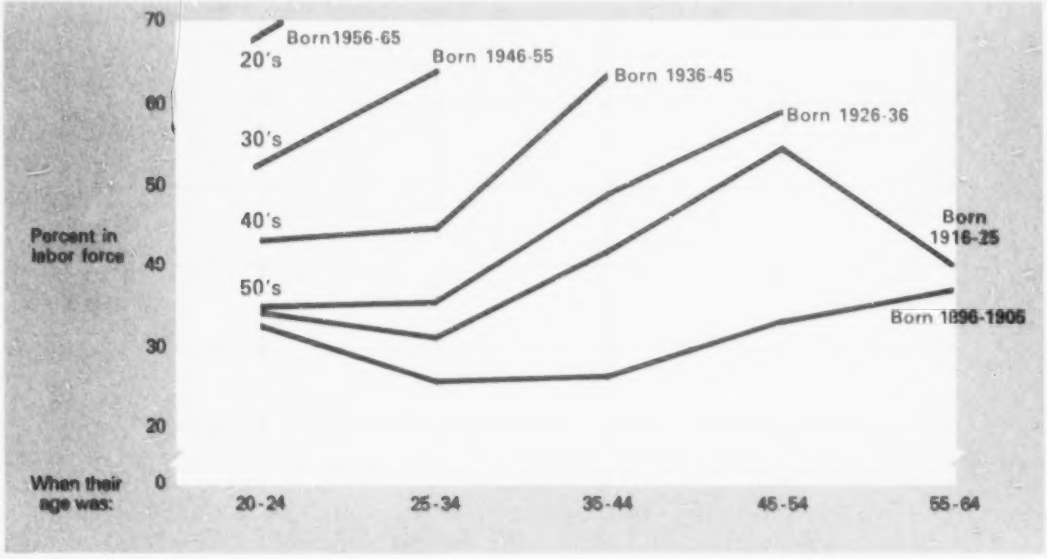
Clearly, the rise of working women is a trend with

Today, more women in their 40s and 50s are in the work force.

powerful built-in momentum for future years as today's wage-earning women in their 30s and 40s are replaced by the larger numbers of working women now in their 20s and 30s. The momentum will boost the future number and proportion of dual-earner families, foreshadowing proportionally more complex tax returns filed by working couples. The trend has already overtaken the IRS in the form of steadily rising

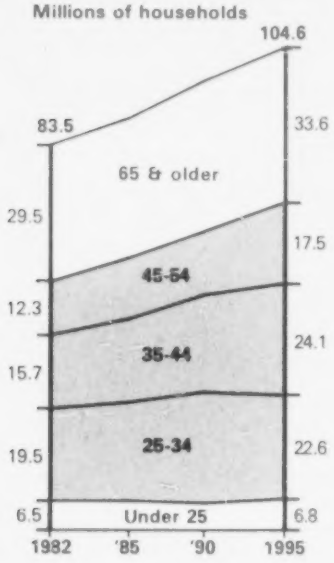
Figure 5

Proportion of women in the labor force by age and generation, 1985



Source ref. 5

Figure 6
Projected number of U.S. households by age of head, 1982 to 1995



Source: ref. 6

numbers of individual taxpayers with total income above $50,000.[1] The number of such returns climbed from 2.2 million (2.4 percent of the total 1040 Series) in 1980 to 6.9 million (or 7.1 percent) by 1984. The IRS projects this income class will encompass 18.6 percent of all individual taxpayers by 1992.

The accelerating growth of this high-income segment will bring an increase in the IRS's work load and processing costs. Taxpayers with income above $50,000, according to the IRS, "possess filing habits and compliance attitudes toward the IRS which directly impact on the examination and returns processing areas." One reason is obvious: virtually all such taxpayers file 1040 returns and 19 out of 20 itemize deductions. The IRS estimates that it costs about 28 percent more to process an itemized Form 1040 than a Form 1040A return, and about 40 percent more than it costs to process a Form 1040EZ return. Another reason is that high-income taxpayers make arithmetic errors more often, presumably because their diverse income sources entail more complex calculations.

Changing Age Makeup of the Population

The changing age-mix in the U.S. population has produced an uneven age profile that affects virtually every segment of society. There are many more people at some ages than at others. The imbalance stems from the large baby-boom generation—nearly one-third of the U.S. population crowded into one 18-year span—and the fact that it is sandwiched between an older and a younger generation, both numerically smaller.

As a result, the population's overall growth rate masks wide variations across age groups. The crowded baby-boom generation will be maturing into later adulthood during the 1980s and 1990s. At the same time, although the total population may increase only marginally, particular age groups will stand out as exceptions. For example, during the next decade the U.S. population will be passing through a period of rapidly increasing numbers of persons in their late 30s and early 40s. (See Figure 6.) In 1982 there were 15.7 million households headed by persons in that age group (19 percent of the total). By 1995, the number is expected to reach 24.1 million households (23 percent of the total). The size of the 45-54 age group also is expanding, with the sharpest forthcoming gains expected after 1990.

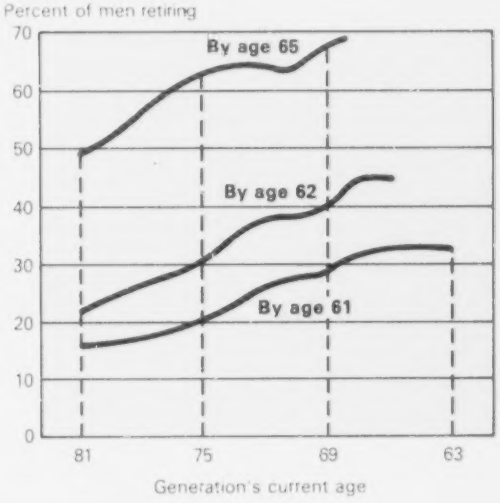
The baby boomers are more than just a large generation—they also are the ones who pioneered the notion of wives and mothers working for pay, and who turned to divorce more readily than their predeces-

The IRS may face a shortage of entry-level programmers and accountants at the same time its work load is expected to be most complex.

sors. When they reach middle-age, an unprecedented fraction of couples filing returns will have two incomes to report, will be at a stage in life when earnings typically peak, and will often claim exemptions for children by former marriages and pay or receive alimony. All these considerations foreshadow a more complex work load for the IRS.

Turning to the older age groups, other demographic changes in store also may affect the IRS's work load. Elderly workers have tended to retire progressively earlier in life, although this trend may be reaching a plateau. (See Figure 7.) Its future course is unclear because several opposing forces are at work and a tangle of legal issues are shaping retirement age. Another trend is more clear cut: the rising proportion of workers who favor a part-time schedule. (See Figure 8, page 8.) These data confirm what common anecdotal evidence suggests: that a mature worker often "retires" out of a full-time job into part-time work. This may be self-employment, independent contracting, and other productive activities that generate potential compliance problems for the IRS because they may be conducive to barter exchanges and "off-the-books" earnings. Further complicating matters for the IRS will be the broadened coverage of IRA, Keogh and other deferred-pension plans from which these future elderly taxpayers will be drawing

Figure 7
Proportion of U.S. men retiring at specific ages, by age group, 1985



Source: ref. 7

taxable income. As noted above, the expanded need to match reports on these varied income sources will increase IRS's returns processing work load.

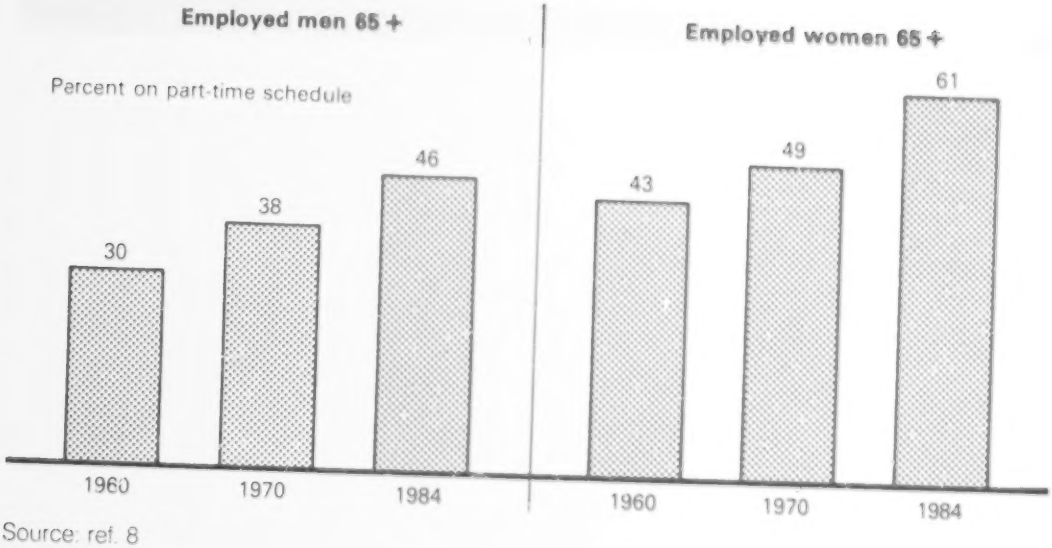
These upcoming changes in the U.S. population's age-mix have implications for the IRS's own work force as well as for its work load. Nationally, the past two decades have witnessed a sharp expansion of the work force, as labor markets were overwhelmed by record numbers of newly entering workers—the combination of the baby-boom generation reaching work age and the skyrocketing labor force participation rate among the female half of this bulging generation. Labor markets have now digested this bumper crop of workers, changing the outlook for the next 15 years. The middle-aged work force will expand as the baby-boom generation matures. At the same time, the pool of entry-level workers will shrink because of the smaller numbers of people born during the post-1965 baby bust.

Both these shifts are likely to affect IRS's work force during the next decade. A surplus of middle managers will intensify competition for promotions. The age makeup of IRS's present work force is heavily weighted with employees approaching mid-career ages—more so, in fact, than the national work force as a whole.[2] (See Figure 9.) As these large numbers of IRS employees reach mid-career in coming years, they will be competing for relatively few mid-level openings. This development may reduce the IRS's ability to retain its most experienced—and possibly most essential—workers as it enters the 1990s, when its work load becomes more complex.

A shortage of workers at the entry-level ages is likely to develop in the late 1980s. Young accountants and computer programmers (whom the IRS hires in large numbers each year) will command higher salaries as their numbers shrink—a problem sure to be exacerbated by the rigidity of current federal job classifications and the compression of federal seniority scales. As a hypothetical illustration, the entry-level Revenue Agent (GS-7 Accountant) whom the IRS now recruits with a $17,824 annual salary would command today's equivalent of roughly $20,700 by 1995.[3]

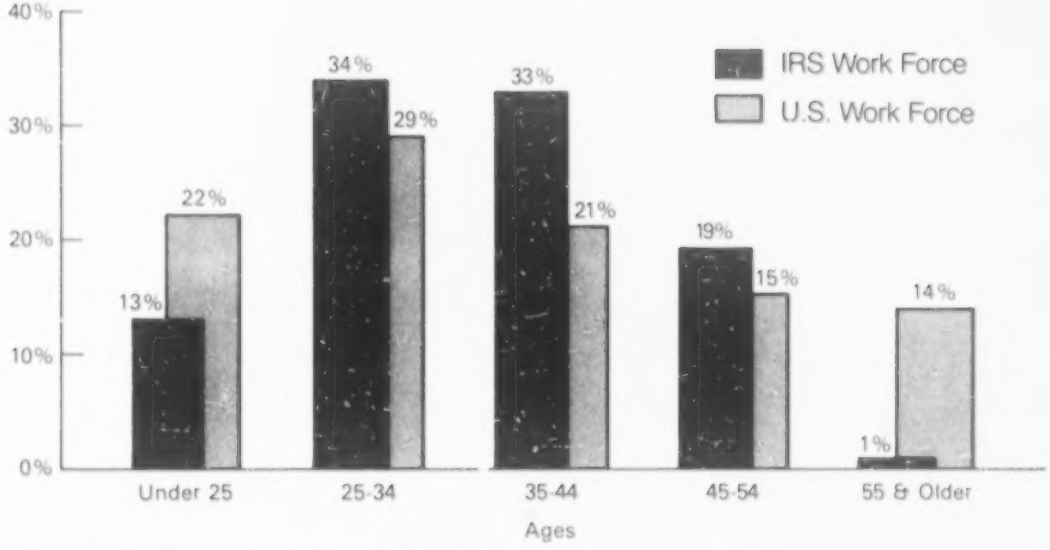
The pool of young accountants or programmers from which the IRS will be hiring is sure to include a substantial proportion of working mothers. To attract them in the tight labor market ahead, the IRS will need to stress the advantages of government employment for workers who must juggle child care and other family obligations with day-to-day responsibilities on the job.

Figure 8
Proportion of U.S. elderly working part-time, 1960 to 1984



Source: ref. 8

Figure 9
Proportion of U.S. and IRS employees, by age group



IRS work force as of 1985, U.S. work force as of 1983

Source: ref. 9

New Geography of Growth

The final set of demographic influences on the IRS is the result of regional and local shifts in where people are choosing to locate. As shown in Figure 10 (see page 10), population growth is projected to vary widely across the nation's regions. The Mountain states, in particular, are expected to register the fastest growth through 2000. These regional shifts will gradually reshuffle the work load that IRS regions and service centers have to handle.

Regional diversity is but one aspect of the changing geography of growth and decline. Another aspect is the stagnation of large metropolitan centers and the growing popularity of smaller, less-crowded communities. During the 1970s, migrants shunned the large metropolitan centers in favor of smaller ones, especially those under a quarter-million population. These were places like Bismarck, North Dakota; Richland, Washington; Nashua, New Hampshire; Fort Collins, Colorado; Fayetteville, Arkansas; Boise City, Idaho; Medford, Oregon; Tyler, Texas; and Modesto, California. The most recent data (for the early 1980s) cloud our interpretation, suggesting a mixed pattern. Only after another few years will it be clear whether the shift to smaller metropolitan centers was a temporary phenomenon or not.

The 1970s shift to smaller communities also was apparent in nonmetropolitan areas. Part of that shift was suburban growth spilling over metropolitan boundaries into areas adjacent to metropolitan centers—the outlying "exurbs," as they have been called. But there was also a move into the more remote nonmetropolitan areas, where growth reappeared in small cities and towns of five, ten and twenty thousand inhabitants.

This shift bears watching because its resumption would further extend the 1970s trend toward a more scattered pattern of settlement—and hence a lower-density "customer" base for the IRS to service.

Policy Implications

The IRS is well aware of the demographic shifts that will complicate its work load during the next 15 years. The Strategic Plan of the IRS represents an effort to formulate a response to many of the trends discussed above.[4] Two current legislative initiatives, however, may also affect the IRS's ability to do its job in the future: the Gramm-Rudman-Hollings budget-balanc-

Figure 10
U.S. regional growth rates, 1984 to 2000
(U.S. Census Bureau regional divisions)

Source: ref. 10

ing law and the various tax reform proposals now under consideration.

The budget-balancing law, passed by Congress in late 1985, is designed to rid the nation of its $200 billion deficit by 1991. It requires automatic spending cuts if Congress fails to reduce spending to fixed levels during each of the next six years. The law subjects the IRS to the same reductions (4.3 percent for fiscal 1986) as other federal agencies. Whether or not the IRS will be required to bear its full share of the planned cutbacks is unclear.

Because the IRS collects much of the money that flows into the U.S. Treasury, many members of Congress have worked to block proposed IRS cutbacks. They argue that a reduction in the IRS's budget could be counterproductive, leading to fewer tax dollars collected, thereby increasing the deficit. Administration representatives have maintained that computerization, better management and fewer but targeted audits (auditing mainly high-income taxpayers from whom they are likely to recover the most money) can produce enough savings to warrant cutbacks. In its fiscal 1986 budget request the White House proposed to cut $30 million and 1,254 positions from the IRS work force of 85,000. Noting that these measures could lead to $375 million in uncollected revenues, Congress instead appropriated $11 million over the previous year, which allowed for a staff increase of about 1,800.

With the IRS's 1985 performance fresh in their minds, the Administration's fiscal 1987 budget calls for an IRS staff increase. In 1985, computer errors and other problems left millions of forms unprocessed more than six months after the April 15 filing date. The backup on issuing refunds cost the Treasury more than $14 million above previous years in interest payments to refund recipients. The combined impact of cost-reducing cutbacks and demographic changes must be carefully weighed to avoid future tax processing backlogs.

While the budget-balancing law may leave the IRS short-handed, the tax reform proposals under discussion may lessen some of the growing work load. It is too soon to speculate on the exact shape of the final version and passage is by no means guaranteed, but the major proposals under consideration call for an

increase in the standard deduction. Such a move would reduce the number of taxpayers who choose to file itemized returns, netting the IRS a savings in processing costs. The President's proposal contains a larger standard deduction than the version the House passed in late 1985. The extent of the savings that any of the plans will generate has not been assessed. Any examination of the work-load relief these plans offer the IRS must take into account the opposing demographic forces—such as baby boomers reaching high-income categories and dual-earner couples—that will drive up the numbers of potential itemizers in future years.

State level tax collection. Up to this point, this report has focused on the impact of demographic change on national tax collection. Many of the trends affecting the IRS, however, also will make the jobs of state tax administrators more complex in future years. All but a handful of states raise state revenue through individual income taxes. They will be affected to varying degrees by the impact of smaller households, dual-earner couples, the baby boom and baby bust and regional migration. Those Sun Belt states receiving the greatest influx of elderly retirees will see their work load complicated by larger numbers of retirees working part-time and by returns reporting pension and IRA income. The Mountain states, which are experiencing the fastest growth, will see the volume of returns grow faster than other regions. Each state that collects individual income taxes must examine its own demographic situation to prepare for changes in tax processing and administration.

In Conclusion

The broad implications of these demographic shifts for tax collection at both the national and state level can be summarized as follows.

First, national demographic shifts foreshadow an increasing work load for two general reasons. One is that the sheer volume of returns being filed will increase as couples divorce and file separately, and as older persons receive pensions and IRA income, continue to work part-time, and therefore continue to file tax returns well into old age. The other is through the complexity of these returns as couples report dual—but separate—incomes and assets; parents who were formerly married claim exemptions for their children; maturing baby boomers earn higher incomes; and filers increasingly opt to itemize deductions. (The proportion of taxpayers who itemize climbed from 29 percent in 1979 to 41 percent in 1984.)

Secondly, demographic shifts within the IRS work force point toward future imbalances. Specifically, they may bring possible regional mismatches between work load and staff; difficulty recruiting enough entry-level workers with the requisite qualifications—for example, accountants and programmers; congested career ladders at middle levels; and difficulty retaining experienced workers when they will be most needed, given a future work load of growing complexity.

Policy makers must take these trends into account as they work to reform tax law and limit government spending.

Legislation to reform tax law and reduce federal spending could affect the IRS's work load

Footnotes

1. Fratanduono, Richard, "Trends in the Number of Individual Taxpayers with TPI Greater than $50,000," in IRS, *Trend Analyses and Related Statistics: 1985 Update*, Document 6011 (Rev. 2-85) Internal Revenue Service (Washington, D.C.: Government Printing Office, 1985).
2. Internal Revenue Service, *IPS Environmental Scan: IRS Work Force* (Washington, D.C.: Government Printing Office, 1985).
3. The estimate here is based on a recent Rand Corporation study of comparative wage rates for entry-level and peak-level workers generally, not specifically accountants. It is assumed (for purposes of illustration only) that the market responses to changing age structure will be the same for young accountants as for young workers generally.
4. Internal Revenue Service, *Trend Analyses and Related Statistics: 1985 Update*, Document 6011 (Rev.2-85), *Environmental Scan: IRS Workforce* (Washington D.C.: Government Printing Office, 1985).

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3. Schoen, Robert, et al., "Marriage and Divorce in Twentieth Century American Cohorts," *Demography*, Vol. 22, No. 1 (February 1985), Figure 5B.
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